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TECHNOLOGY

EAGLE EYE

Computer graphics put nearly everything in the picture

by Louise Kohos

ONE PICTURE they say is worth a thousand words. Lately, the computer industry has taken this truism to heart.

Whether it is the introduction of "graphical user interfaces" for personal computers, or the recent launch of superworkstations capable of producing sensational three-dimensional images or the use of supercomputers to create animated graphics, the trend is towards pictures, rather than words, on the computer screen.

Wordsmiths need not despair. It takes a lot more computer power to digitise and manipulate complex graphics than it does to perform even the most sophisticated word processing.

An example of the computer power needed to create such images is one of the latest superworkstations, the Apollo Series 1000, which the company calls a "personal supercomputer".

Like competing products from Sun, the Apollo machine features RISC (Reduced Instruction Set Computer) architecture. It delivers anything from 15 million instructions per second in a single processing operation, up to between 60 and 100 MIPS when multiple processors are linked.

However the cost of such "graphics processors" computers optimised to handle graphics applications, is gradually coming down.

A sure sign of the trend comes from research papers published recently by several leading US and Japanese semiconductor manufacturers describing chips that process and store images. These chips appear to be destined for the next generation of personal computers.

In the meantime, however, the price tag on graphics processing remains rather high. The new class of graphics supercomputers, from companies such as Ardent Computer and Stellar Computer, delivers similar processing power to the earlier Cray supercomputers. Ardent claims that its Titan machine provides up to 64 MIPS (millions of instructions per second).

But although the cost of such power has dropped dramatically from many millions of dollars to a price in the region of \$50,000 to \$100,000, machines like the Titan are still beyond the means of many potential users.

More widely used are so-called "superworkstations", in the \$50,000 to \$80,000 price range from Apollo, DEC, HP, Silicon Graphics and Sun, which can be used in conjunction with higher performance computers, or in a stand alone mode for simpler applications.



I DON'T KNOW MUCH ABOUT GRAPHICAL USER INTERFACES BUT I KNOW I PREFERRED IT WITH JUST A HINT OF A SMILE

Users of graphics computers span a wide range of industries, from aircraft designers to movie makers, from chip makers to genetic engineering researchers, and from oil explorers to spies. Each has a reason to present or to analyse large quantities of data.

Beyond that, however, they have little in common and one of the factors retarding runaway growth in the graphics processing field is a lack of agreement on standards on how to produce images on a computer and on what kinds of functions are generally needed.

Playing games
Today's computer graphics technology is a far cry from the video games of the 1970s, but entertainment is still a significant driving force behind developments in graphical computing.

Some of the most advanced software for generating computer graphics has been applied to creating special effects for movies and television.

and graphics workstations, a Los Angeles group Digital Productions, created animations for the movie "Last Starfighter", transforming bare bones engineering drawings into fully animated video images of spaceships moving through space.

While moviegoers were impressed, the high costs of computer animation eventually sank Digital Productions. According to a former executive at the company, Larry Yager, now principal engineer at Apple Computer, the cost of producing such fully animated sequences ran from \$3,000 to \$9,000 per second of finished film.

The technology required to produce advanced computer graphics is, however, quickly coming down in price with the emergence of a new generation of "3-D Graphics Workstations" offered by companies such as Stellar Computer, Silicon Graphics, Apollo Computer, and Ardent Computer.

Using a 3-D graphics workstation, animators at the Walt

Disney Company created traffic scenes, city landscapes and several other backdrops for "Oliver and Company", a new Disney feature film which will be released in November.

The use of computers has taken some of the drudgery out of creating moving backdrops for the new Disney characters and freed the character animators to concentrate on more creative aspects of the production process, says Tina Price, a Disney animator who has done some of the computer work.

The computer system is particularly good at creating and manipulating geometric objects, she says. "It is difficult for an animator to keep perfect perspective on an object as it moves; the computer is very good at that," she explains.

None the less, computers have their limits, according to the Disney animators. It seems unlikely that Mickey Mouse will ever appear on a computer screen. "We have whole departments of people who animate characters far better than any computer," says a Disney spokesman.

And while 3-D workstations have the capability of creating solid-looking objects, Disney uses them only to outline objects, preferring to hand paint surface detail. "The resolution of the computers is just not up to par," explains Tina Price. Another complaint is that the system is too slow when handling complex images.

Power-hungry
Aircraft designers at Boeing are also hungry for more computer horsepower in their graphics workstations. About 10 to 100 times the power of currently available machines would be desirable, says Gary Bills, principal engineer at Boeing's recently inaugurated Computational Fluid Dynamics Laboratory in Bellevue, Washington.

"Computer workstations that can generate video images in real time have revolutionised the way scientists and engineers go about their jobs," Bills says, "but still, they could be better."

The products offered by companies such as Stellar Computer and Ardent Computer represent the "beginning of a new industry," says Burwen. "They are not the solution, but they may foreshadow a new generation of truly capable systems."

The new laboratory provides supercomputer and high performance graphical workstation facilities to Boeing's aircraft designers.

Using these computers, they can in effect simulate and analyse wind tunnel experiments on proposed aircraft designs to determine their aerodynamic properties.

Displaying the results of such tests graphically, in pictures that resemble the contours on a map, enables the designers to see flow patterns and to spot potential problems and correct them.

Equipped with a Cray supercomputer, 17 Silicon Graphics workstations and three Digital Equipment minicomputers, the Boeing Laboratory has brought together computer resources that were previously distributed around the aircraft company's facilities.

By cutting out the delays associated with transmitting complex programs and large bodies of data on computer networks, and by upgrading the computer workstations used by engineers, the laboratory has reduced the typical response time of the computer system from around three days to eight seconds. "The productivity of the researchers has been substantially enhanced," says Bills.

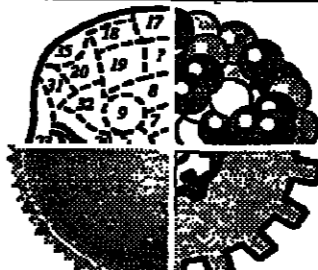
There has been rapid progress in the development of graphic workstations over the past few years, Bills concedes, but adds: "You ain't seen nothing yet." He predicts that the next few years should bring advances of even more dramatic impact.

Great expectations
"There is a huge gap between what people want from graphics workstations and what the computer makers are offering," observes Michael Burwen, president of the Palo Alto Management Group, a consulting group.

The objective, says Burwen, is an affordable computer that can produce video images in a fraction of a second. "They want it to look like a \$70 million flight simulator at a cost of a few thousand dollars," Burwen explains.

He believes that unreasonably high expectations of what computer workstations can do have been created by the publication of impressive computer-generated pictures that in fact took weeks to create.

"The products offered by companies such as Stellar Computer and Ardent Computer represent the 'beginning of a new industry,' says Burwen. 'They are not the solution, but they may foreshadow a new generation of truly capable systems.'"



WORTH WATCHING

Edited by Geoffrey Charlish

Fire brigade database

FIRE BRIGADE headquarters throughout the UK are to be connected into a national database held at the Fire Information National Data Service, Bradford University. The idea is to make as much information as possible available to senior fire officers, including the results of research carried out by individual brigades, and working practices, particularly in relation to unusual fires.

Tandata Communications of Malvern, UK, is providing a terminal to each of the 63 UK brigades headquarters and the system is being set up and run by Bradford University using their mainframe computers. A user can extract information from the database or communicate directly with another brigade if necessary.

Computers in control

IN A £20m factory refurbishment at Aberdare, South Wales (for making the wires and cables used in house wiring and domestic appliances), the Italy-based Pirelli group has incorporated a computer integrated manufacturing (CIM) system costing £2m. Believed to be the first comprehensive CIM system in the European cable industry, it uses over 100 IBM and GEC computers, with system software developed by SEIAF of Italy, a software company jointly held by the Italian Government and IBM. The system will act as a pilot for the Pirelli group and other factory conversions are likely. All aspects of production are managed by CIM systems. The computers form a hierarchy. At Pirelli, an IBM System 36 at the top, looking after management aspects of the business, is connected to two

networks, one for office and the other for factory computers.

To avoid picking up electrical interference, the latter uses an optical fibre network to control production machines, automatic guided vehicles and other handling equipment.

Cable production involves drawing the copper wires, insulating and sheathing them by plastic extrusion, and "laying them" combining them into multi-wire cables and arming if necessary. Bobbins of wires and other materials are carried between stores and machines, by the AGVs and handling devices.

Customer orders come over data phone lines or are keyed into the management computer, which controls product data, inventory, production scheduling and control, materials acquisition, costing, purchasing and similar information. Then, appropriate data goes to the other computers which ensure order fulfilment with a minimum of work in progress.

Success for water-free wiring

SPECIALIST MATERIALS company Raychem of Swindon in the UK is offering a system called Rayblock to provide a solution to the problem of water ingress into vehicle wiring systems. Whenever a wire's manufactured plastic coating is removed, for connection into a plug or socket for example, it may become possible for water to cause insulation problems.

Rayblock uses a combination of the US-based company's heat shrink sleeves and a hot-melt adhesive. One version consists of a sleeve with an integral inner ring of adhesive, for use at the multi-wire cable entry to a plug for example. On applying a moderately hot air stream, the sleeve shrinks over both cable and entry tube, forcing the melted adhesive between the connector wires and against the tube's inner surface. The result is a complete seal.

Variants of the system are available for sealing the joined ends of cables and for dealing with large multi-wire cable bundles. A range of installation equipment can be supplied including hot air guns and infra-red heaters.

CONTACTS: Raychem: UK office, 0783 3617, Pirelli General Office, 01628 32525. Telex: 321 924.

Businesses Wanted

ELECTRICAL OR HEATING CONTRACTING COMPANIES
A heating services company with head office in Bedford specialising in domestic and industrial central heating installations and house modernisation and refurbishment for the local authority market seeks to broaden their operation.

The company wishes to acquire an established contracting business with a proven track record. The prospective business will have C.O.R.G.I., S.F.A.S. or N.I.C.E.I.C. registration, with a turnover between £200,000/£2 million.

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Plc wishing to broaden range of activity seeks businesses to acquire in the following markets
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PLASTICS DIVISION OF INTERNATIONAL GROUP
Successful in injection blow moulding of technical components now seeks to expand into Britain by acquisition of companies in similar field with turnover range probably £1 - 5 million. Financial and technical support can be provided by the Group and therefore propositions will be considered from both successful companies and those experiencing difficulties. It is expected that existing management and workforce would be retained.

Write in full confidence to:
Box H3681, Financial Times, 10 Cannon Street, London EC4P 4BY

SUCCESSFUL TEXTILE COMPANY
A publicly quoted textile company with a record of consistent growth and successful expansion, wishes to acquire companies in similar field with turnover £50,000 to £250,000. The company is seeking a partner with management capable of producing a high degree of autonomy in developing the potential, for which substantial funds are available.

Consideration can be either in shares or cash, together with share options for key executives. Please send outline details in the strictest confidence to:
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Plant & Machinery

BOTSWANA POWER CORPORATION
The Botswana Power Corporation has for disposal from its power station at Gaborone, two completely separate coal fired electricity generating power stations.

Steam Extension 1
Comprises three John Brown boilers with Riley Harrington chain grate stokers with steam conditions of 24 bar, 370°C/700°F and two 3.0MW AEG turbo alternators generating at 11.0kV. All auxiliary equipment and steel framed buildings, chimney, etc are included. The plant was re-commissioned at Gaborone in 1975 and was in service until 1984. The boilers are stored in nitrogen.

Steam Extension 2
Comprises two ICAL (SA) chain grate boilers with steam conditions of 26 bar, 400°C/760°F and two 3.0MW AEG - Kanis turbo-alternators type V-25 generating at 11.0kV.

All auxiliary equipment, steel framed buildings, chimney etc are included. The plant was commissioned (new) in March 1981 and was taken out of regular service in 1984, although it is operated from time to time and can be seen in operation.

Complete details of the two power stations are available on request, and inspection is invited.
Please respond to:
The Chief Executive, Botswana Power Corporation, P O Box 48, GABORONE. Telephone: Gaborone 382211 Telex: 3451 Power BD Fax: 373683

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The Terminal will handle approximately 1.6 million passengers in its first year of operation and this figure is expected to rise to approximately 2.5 million by 1992.

The Airport Company is seeking to appoint concessionaires to operate one or more units in the Terminal and proposals are invited from suitably qualified companies.

Interested parties should apply in writing enclosing a copy of the last two years audited to Mr A Astbury, Administration Manager, Room 710, Manchester Airport PLC, Manchester M22 3PA by 2nd August 1988.

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At the Annual General Meeting held on July 15, 1988 it was decided to pay a dividend of US \$ 0.10 (ten cents) per share on or after August 08, 1988 to shareholders of record on July 18, 1988 and to holders of bearer shares upon presentation of coupon No 1.

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FT LAW REPORTS

Builder not liable for loss

D&F ESTATES LTD AND OTHERS v CHURCH COMMISSIONERS FOR ENGLAND AND OTHERS

House of Lords (Lord Bridge of Harwich, Lord Templeman, Lord Ackner, Lord Oliver of Aylmerton and Lord Jauncey of Tullichettle): July 14 1988

A BUILDER who properly sub-contracts work to a competent independent subcontractor is not liable for defects in the execution of that work in the absence of knowledge of negligence or assumption of personal liability; and he is not liable to an occupier with whom he has no contractual relationship for the cost of remedying defects before they cause damage to the occupier or his property, in that such loss is purely economic and is irrecoverable in tort.

The House of Lords so held when dismissing an appeal by the plaintiffs, D&F Estates Ltd and Mrs Tillman, from a Court of Appeal decision [1987] 1 FTLR 405 that they were not entitled to damages from Wates Ltd, third defendant in an action for defective building work against the Church Commissioners for England and other defendants.

LORD BRIDGE said that between 1963 and 1965 Wates was the main contractor employed by a company now in liquidation to build a block of flats on land belonging to the Church Commissioners.

The building was completed in October 1965 and was named Chelwood House. The Church Commissioners granted a lease of flat 37 to D & F Estates for 99 years. D & F Estates was controlled by Mr and Mrs Tillman. From 1966 to 1981 they occupied flat 37 pursuant to an arrangement with D & F Estates.

In August 1980 while Mr and Mrs Tillman were away, decorators discovered that the plaster on certain ceilings and one wall was loose. Some of the plaster fell down. The affected areas were replastered and redecorated at a cost of £10,576. D & F Estates now claimed in respect of that damage, and Mr and Mrs Tillman claimed in respect of disturbance caused to them while the works were carried out. Following investigation in 1983 more defective plaster was discovered and when the action came for trial the damages claimed by D & F Estates included the estimated cost of further remedial work and prospective loss of rent which would be suffered while it was carried out.

built the plaster work was carried out by sub-contractors. Judge Esyr Lewis QC found that the plaster was defective because they had failed to follow manufacturers' instructions.

In deciding the scope of Wates's duty of care to the plaintiffs and whether they had suffered loss as a result of his breach, he said "The duty of care itself is not delegable". He found that Wates acted properly in sub-contracting the plastering work; but he concluded it was in breach of a duty to provide adequate and proper supervision and was liable in negligence to the plaintiffs.

The judge awarded damages to D & F Estates of £10,576 for the cost of 1980 remedial works, £53,549 for future works, and £24,000 for loss of rent while the future works were carried out. To Mr and Mrs Tillman he awarded £500 each in respect of loss of amenity while the works were being done.

On appeal by Wates the Court of Appeal reversed the judge's decision primarily on the ground that Wates, having employed competent sub-contractors to carry out the plastering work, owed no further duty of care to the plaintiffs.

The Court of Appeal also considered a submission by Wates that the cost of repairing the defective plaster was not damage which D & F Estates could recover in tort since it represented pure economic loss. The submission was rejected in relation to the 1980 repairs on the ground that D & F Estates were liable to Mr and Mrs Tillman to carry them out, but was accepted in relation to future works.

The plaintiffs now appealed. In Junior Books v Veitch [1983] AC 520 Lord Brandon's dissenting speech enunciated principles of fundamental importance in determining the scope of the duty owed by one party to another in the absence of contractual relationship or other uniquely proximate relationship.

Lord Brandon said that as there was no contractual relationship between the parties, the only foundation for the existence of a duty of care was the principle laid down in Donoghue v Stevenson [1932] AC 582 - that a person who manufactured goods for consumption by others was under a duty to exercise reasonable care to ensure they could be used or consumed in the intended manner without causing physical damage to persons or their property.

If a hidden defect in a chattel was the cause of personal injury or damage to property other than the chattel itself, the manufacturer was liable. But if it was discovered before causing damage, there was no longer any room for application of the Donoghue v Stevenson principle. The chattel became defective in quality, but was no longer dangerous. The economic loss was recoverable in contract by a buyer or hirer of the chattel entitled to the benefit of warranty of quality, but it was not recoverable in tort by a remote buyer or hirer of the chattel.

If the same principle applied to a dangerously defective permanent structure, the builder's liability could only arise if the defect remained hidden until it caused personal injury or damage to property other than the structure itself. If the defect was discovered before damage was done, the loss sustained by the building owner who had to repair or demolish it to avoid danger to third parties, seemed purely economic.

In the present case the only hidden defect was in the plaster. Once it appeared that the plaster was loose, any danger of personal injury or of further injury to other property could have been simply avoided by the timely removal of the defective plaster.

The only function of plaster unless it was elaborately decorative, was to serve as a smooth surface on which to place paper or paint. The only damage to "other property" caused by the defective plaster would be the loss of value of existing decorations occasioned by the need to remove loose plaster.

The cost of replacing defective plaster in 1980 or in the future was not damage for which the builder could possibly be made liable in negligence under the Donoghue v Stevenson principle, or any legitimate development of that principle.

To make him so liable would be to impose on him for the benefit of those with whom he had no contractual relationship, the obligation of warranty as to quality of the plaster. It followed that even if Wates had been responsible for the plaster work in flat 37, the damages recoverable by D & F Estates would have been trivial and Mr and Mrs Tillman could have established no claim for disturbance.

But the Court of Appeal's primary ground for allowing

Wates's appeal was that it had properly employed competent sub-contractors to do the plaster work, and was not liable for their negligence.

The employers of an independent contractor were, in general, not liable for his negligence in execution of the work. To that general rule there were certain well-established exceptions or apparent exceptions.

But the so-called exceptions were dependent on a finding that the employer himself was in breach of some duty personally owed to the plaintiff (see Clerk and Lindsell on Torts 15th ed 1982 para 3-7p 185).

If Wates were to be held liable for its sub-contractors' negligent workmanship, it must first be shown to have assumed a personal duty to all the world to ensure that Chelwood House would be free of dangerous effects.

That was an assumption on which Judge Esyr Lewis proceeded when he said "the duty of care itself is not delegable".

Whence did that non-delegable duty arise? There was no legal principle to which such an assumption of duty could be related. If the fact of employing a contractor did not involve the assumption of any such duty by the employer, then one who had himself contracted to erect a building assumed no such liability when he employed an apparently competent independent sub-contractor to carry out part of the work for him.

The main contractor might, in the interests of the proper discharge for his own contractual obligations, exercise a greater or lesser degree of supervision over the work done by the sub-contractor. If in the course of supervision he came to know that the sub-contractor's work was being done in a defective and foreseeably dangerous way, and if he condoned that negligence, he would no doubt make himself potentially liable for the consequences as joint tort-feasor.

But the judge made no finding against Wates of actual knowledge.

The appeal was dismissed. Lord Templeman, Lord Ackner and Lord Jauncey agreed. Lord Oliver gave a concurring judgment.

For the plaintiffs: Richard Foythburgh QC and Robert Glynn (Victor Misham & Co). For Wates: Donald Keating QC and Richard Seymour (Masons)

Rachel Davies Barrister

GOLD MINING COMPANY REPORTS RAND MINES

Office of the Secretaries of the undermentioned companies in the United Kingdom, 40 Holborn Viaduct, London EC1P 1AJ

Harmony Gold Mining Company Limited. Financial statements for 30.06.1988 and 31.03.1988. Includes operating results, capital expenditure, and dividend information.

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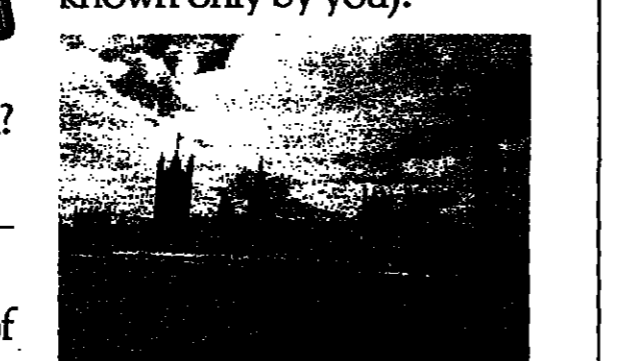
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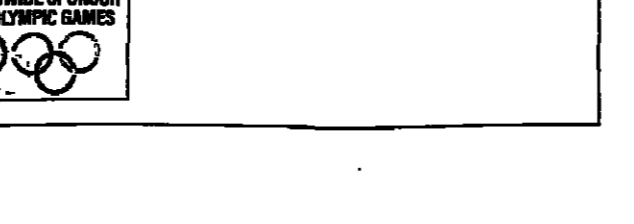
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FINANCIAL TIMES SURVEY



Since Mr Haughey took power early last year, exports have boomed and public spending has fallen.

But there is little sign of growth in the domestic economy. Relations with London have cooled, though 40 per cent of trade last year was with the UK, writes Kieran Cooke

Tackling the tough issues

SPORT, not politics or the problems of the economy, has provided the main Irish news over the past year.

When an Irishman, Mr Stephen Roche, won the Tour de France cycle race last summer, a quarter of a million people, or nearly 10 per cent of the Irish population, turned out at Dublin airport to welcome their hero back. Last month, when the Irish football team returned from their first-ever foray into the finals of the European football championships, there were similar scenes. Ireland had not won, nor had it reached the semi-finals. But it had beaten England. Most of all, it had shown Europe its competitive abilities and sportsmanship.

Sporting achievements have been reflected in other areas. Even the budgeters would admit that important changes have taken place in Ireland over the past 18 months. The public finances, for long floating on a fiscal cloud, have been brought down to earth with a resounding thud. For the first time in many years, there is a substantial degree of confidence in the performance of the Irish economy.

During its first 18 months in office, the minority government of Mr Charles Haughey, the Irish Prime Minister, has achieved a large measure of political stability. Fiscal adjustments were a matter of the utmost necessity: if borrowing and spending levels had continued along the pattern of the late 1970s and early 1980s, Ireland, in the not-too-distant future, would have been spending its entire GNP on debt servicing. This followed the disastrously profligate period of the 1970s, when the government borrowed its way into a bout and the years of decline in the early 1980s when the seriousness of Ireland's economic position became all too apparent.

"The firm action we took has brought an almost miraculous improvement in a very short space of time and confidence in the Irish economy both at home and internationally has been restored," Mr Haughey told an audience in New York recently.

But many observers would say that despite considerable achievements, the modern Irish miracle is still some way off. Large-scale cutbacks in public expenditure have

reduced the level of government borrowing by a third. But the national debt, at more than £26bn or £28,000 for every household in the country, is still a cause for concern.

Exports have boomed and for the first time in 20 years there is a current account surplus. But any sign of a downturn in the western economies could have serious consequences on the Irish recovery. There is little sign of growth in the domestic economy and investment is far from buoyant.

Many of the fundamental ills of the Irish economy have, however, been tackled. Mr Haughey has shown considerable *chutzpah* in taking what would in the past have been politically disastrous decisions. His government has had a very good sense of timing.

It seems the Irish people had already clearly realised the seriousness of the situation and was prepared for tough measures. The cutbacks have led to an unemployment rate of 19 per cent, second only to Spain in the European Community. But the position would be a great deal worse and possibly politically unsustainable if emigration was not at its high-



IRELAND

est level for some years with more than 80,000 mostly young, educated Irish people leaving the country every year in search of jobs.

At the same time, population growth has slowed considerably. In the 1981 to 1986 period, the population grew by 2.7 per cent. In the 1971 to 1981 period, the population went up by 15.6 per cent. Both these factors have eased the impact of the government's radical exercise in cost-cutting.

Some, including members of the DMP and the European Commission, feel the Irish government should now try some mild restorative measures to force a little movement in the domestic economy. But Mr Haughey and his small circle of key advisers, including Mr Ray MacSharry, the Minister for Finance, seem intent on continuing to administer the bitter economic pill while there is still the public taste for it.

The Government likes crisis management. Mr Haughey's popularity and that of his Fianna Fail Party have never been higher. Yet there seems to be no wish to go to the country in search of a majority in the Dail, the Irish Parliament. A sense of siege stunts current government style.

Favours and dispensations have been a common feature of Irish politics. Mr Haughey came to office with the pledge of "No strokes, no deals." With a parliamentary majority, members of the governing party might show more rebellious colours and be tempted to press for constituency favours.

Mr Haughey is very much a "hands on" premier. He has exerted his influence on political developments in Northern Ireland, realising that continuing violence north of the border can only have an adverse effect on economic and political developments in the

Republic.

He has also become more directly involved in the difficulties surrounding the Anglo-Irish relationship, particularly since the illness of Mr Brian Lenihan, the Minister for Foreign Affairs and one of the few people in government with experience and stature equal to that of the Prime Minister.

It has not been a good year for relations between London and Dublin.

At times the two countries seemed separated not just by the Irish Sea but by a whole world of differing perceptions and ideas. Yet through the long list of problems, some of them very serious, dialogue has been maintained.

Mr Haughey has won considerable praise for not giving in to some of the more strident anti-British voices on his back-benches and has emerged with statesmanlike credentials. The Anglo-Irish agreement is

still very much alive and Mr Haughey and Mrs Thatcher, the British Prime Minister, are on cordial, if not over-warm, terms. The future of Ireland and Britain is intertwined and will become closer following the full integration of the EC in 1992. Millions of Irish people live and vote in Britain. In 1987

nearly 40 per cent of Ireland's total trade was with Britain. Most importantly, the manager of Ireland's football team, Mr Jack Charlton, is English. Nicknamed "St Jack" after his team's performance in Europe, Mr Charlton has now been made an honorary Irishman.

Links with Europe

A geographical disadvantage

AS THE Irish Government this month launches its information campaign to prepare the public for 1992 and the arrival of the single European market, soccer has done more than any political address or economic manifesto to make the Irish public aware that it belongs to Europe.

For the first time ever, the Irish team reached the finals of the European championships. Not only that, but Ireland

performed very well. While Irish governments have built up a reputation for being "good Europeans" in their conduct of EC negotiations, the country remains culturally part of the Anglo-American world.

The low priority of spoken European languages in schools and universities reinforces Ireland's isolation as "an

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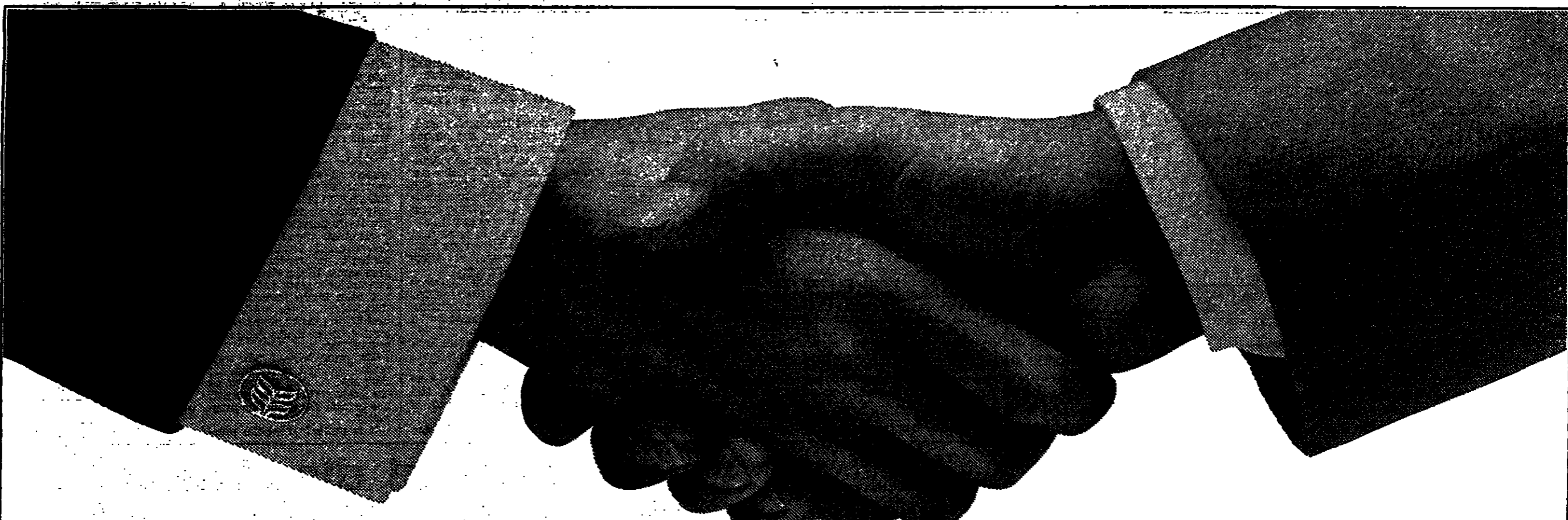
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(left) The Dublin crowds give football manager Jack Charlton, flanked by Carmelita Hederman, the city's Lord Mayor and Mr Brian Lenihan, the country's Foreign Minister, a tremendous welcome on his return from Germany last month.

KEY FACTS

Population	3,537m
Area	70,000 sq km
GDP	\$18.2bn
Unemployment (May 1988)	235,000 (19% of workforce)
Inflation (1987)	3%
Debt/GNP ratio (1987)	138.9%
GNP	£12.398bn
Rate of exchange (July 4 1988)	£1 = 88.7p
Current external account (1987)	surplus of \$400m
Imports (1987)	£2,155.2bn
Exports (1987)	£2,167.235bn
Emigration (1987)	30-35,000



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IRELAND 2

For the first time in years there is some confidence in the economy

The dramatic rewards of strict discipline

EVEN THE most harsh critics of Irish government policy would admit that there has been a fundamental change in the economic climate over the past 18 months.

For the first time in many years, there is some confidence in the economy. State borrowing as a proportion of GNP is at its lowest level in more than 10 years. Inflation, 1.8 per cent in the second quarter of 1988, is at its lowest level for 25 years. Exports have experienced a mini-boom and, for the first time in 21 years, there is a current account surplus. Interest rates have fallen substantially while the Irish punt has maintained its value within the EMS.

Set against these positive trends is a national debt which is still one of the highest per capita in the world at £26.345m, a dull domestic economic outlook with only marginal or no growth in GNP forecast for 1988 and government cutbacks which have been largely responsible for a rise in unemployment to 19 per cent (the highest in the EC apart from Spain). That most

familiar signal of hard Irish times, emigration, is once again on the increase.

Tackling the national debt has been the all-consuming passion of the Fianna Fail Government which came to power last February. Mr Ray MacSharry, the Minister for Finance, has been nicknamed "Mac the Knife" for his zealous campaign of cutbacks and general belt tightening.

The national debt, more than a third of it denominated in foreign currencies, had doubled in the five years ending 1987. Government spending cutbacks last year amounted to more than £500m. A similar or greater reduction in public spending is expected this year, amounting to an overall cut of more than 10 per cent over the two-year period.

Meanwhile, tax revenues have increased with reforms in corporate taxes, higher excise duties and a broadening of the VAT tax base. The speed with which the economy has responded to this new harsh helping of fiscal medicine has surprised many, including some government members.

The current budget deficit fell by £215m last year from 8.6 to 6.8 per cent of GNP, the Exchequer Borrowing Requirement (EBR) was reduced by £296m from 13.2 to 10.3 per cent of GNP while current revenue increased by 6.5 per cent.

account turned to a surplus of US\$400m from a deficit in 1986. Agricultural exports in the coming year are likely to slow due to EC quotas and a shortage of beef stock. The outlook for manufactured exports will be influenced by economic per-

last year: real incomes continue to decline while investment has shown no sign of growth.

Meanwhile, about £2500m of gross savings, or more than half the real growth in the economy over the past two years, has been invested abroad. Continuing sluggishness in the domestic economy is also likely to lead to a further rise in unemployment. The total at work is estimated to have fallen by 14,000 or 1 per cent of the labour force last year. A similar drop is anticipated this year with no real sign of improvement before 1990.

There are now 120,000 fewer employed than in 1980. Economists point out that the situation would be far more serious and possibly politically unsustainable if it were not for the large-scale emigration of recent years.

For the third year running about 30,000 people, mostly young graduates, are expected to emigrate from Ireland in 1988. Ireland's foreign trade as a percentage of GNP at 87 per cent, is very vulner-

able to developments in the world economy.

Ireland's recovery over the last 18 months has taken place against a generally buoyant economic background. Any sign of a recession in the western economies could bring serious problems. For the moment, the government is adamantly pursuing its cost-cutting measures and has resisted reflation.

Only this way, says the government, can the national debt be stabilised and Ireland look forward to sustained growth sometime in the early 1990s. The tough times must continue, says Mr Charles Haughey, the Irish Prime Minister. "It is being irresponsibly suggested in some quarters that the strict discipline which brought about the dramatic improvement in our economic fortunes is no longer required and can be relaxed. This is a dangerous line of argument and could put us right back into the appalling situation from which we are still seeking to emerge."

Kieran Cooke

Charles Haughey: never so popular

Politics Approval for Haughey cuts

NEVER HAS Mr Charles Haughey, the Irish Prime Minister, been so popular. Rarely have the Irish people had to suffer so many cutbacks and austerity measures. It has been a strange year in Irish politics. Mr Haughey, consigned to the political wilderness by many only a few years ago, has shown that he can not only survive but succeed. A recent opinion poll indicated that 55 per cent of the Irish electorate was satisfied with Mr Haughey's performance during his 15 months in office.

A veteran of more than 30 years in politics, including two previous terms as Prime Minister, Mr Haughey's star has never shone brighter. His Fianna Fail Party (translated as "The Warriors of Destiny") now has the support of over 50 per cent of the electorate and would win an absolute majority if opinion poll figures were reflected in a general election.

The previous government, a coalition made up of the main opposition Fianna Fail Party ("The Tribe of the Gaels") and the small Irish Labour Party, fell because its members could not agree on a package of measures to deal with mounting economic problems, including a national debt of more than £24bn.

In last February's election, Fianna Fail campaigned under the rather ambiguous slogan: "There is a Better Way." In victory most assumed Fianna Fail would revert to its old free-spending ways and not risk its minority in the Dail, the Irish Parliament, by forcing through unpopular cutbacks.

The opposition has been wrothfought by a Fianna Fail turnaround in government. Mr Haughey has adopted many of the policies he so bitterly attacked while in opposition. Within weeks of assuming office, Fianna Fail launched into a swinging round of economic cutbacks. Hundreds of public service jobs were lost. Budgets in almost all departments were cut. More cutbacks are being announced almost daily.

Heads are frequently scratched over the seeming contradiction of a government hell-bent on belt tightening not only maintaining but increasing its popularity. From the beginning, the Fianna Fail Government obviously succeeded in getting its dire message across to the electorate. If serious economic action had not been taken immediately, then Ireland, in the not-too-distant future, might have headed for a crisis of South American proportions.

Observers talk of "the new reality" evident in Ireland. Mr Haughey, so long regarded as the great political opportunist, has become the economic pragmatist.

It is unlikely that the pres-

ent tough economic measures could have been implemented if Fianna Fail had continued in opposition. In power for most of the time since the Irish gained their independence from Britain in 1922, Fianna Fail regards itself as the natural party of government, more a national movement than a political party. Its one aim in opposition was to block the government on every move and return to office as quickly as possible.

Fine Gael has adopted the very different tactic of "principled opposition." Mr Alan Dukes, Fine Gael's youthful new leader, has supported the broad thrust of government policy, claiming with some justification that much of Mr Haughey's economic programme bears the Fine Gael birthmark.

But with many of its policies hijacked by the government, Fine Gael has suffered something of an identity crisis. Alongside his party's submissive opposition, the opinion polls indicate that Mr Dukes has still to impress himself on the electorate.

The Progressive Democrats, a newly emerged party led by former Fianna Fail cabinet minister, Mr Des O'Malley, surprised many by gaining 12 per cent of the votes in last February's election. But they have since failed to make a significant impact on the political scene.

Initial euphoria has died away as there have been no further successes in their attempt to break the two-party mould of Irish politics.

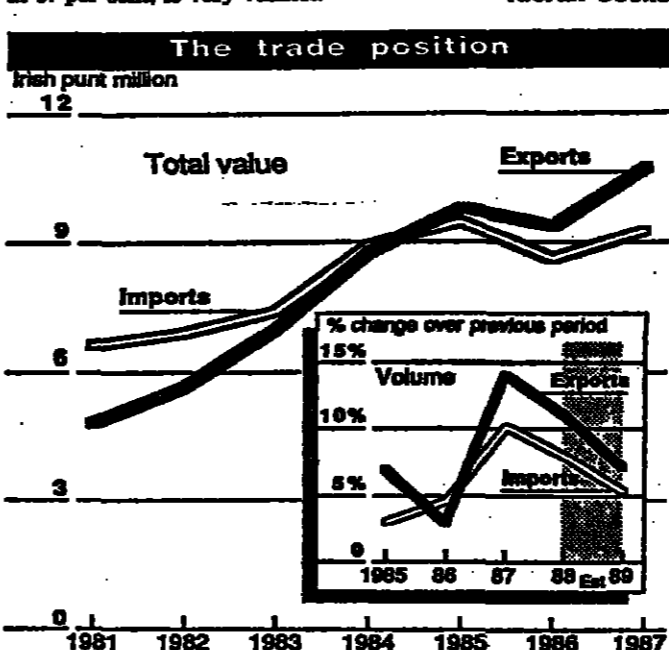
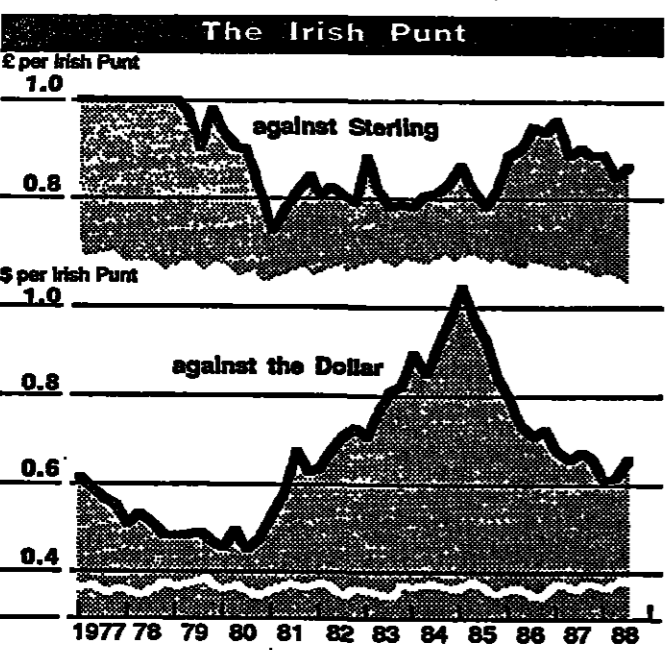
The small Labour Party, after its period as a partner in the last government, has seen its influence decline sharply. The two other parties on the left of the Irish political spectrum, the Workers Party and Sinn Féin, the political wing of the IRA, still have only very limited support.

Attention is now focused on the possibility of a general election later this year. The prospect is a tempting one for Mr Haughey. But his government seems content, for the time being at least, to continue walking along the edge of the parliamentary cliff.

Despite the opinion polls, an election is always a risky exercise. The Irish people have shown signs that they have had a surfeit of elections and referenda in recent years. Fianna Fail and Mr Haughey can look back on a good 17 months in office. But tougher times lay ahead as cutbacks make ever greater impact on incomes.

Mr Haughey, perhaps more than anyone else in government, knows that political popularity is a very transient commodity.

Kieran Cooke



Customs House centre A financial flagship

NOTHING EXEMPLIFIES more what the government feels is the new spirit of Ireland than plans for a financial services centre on the banks of the River Liffey in Dublin.

Construction work on the centre, on what was once the site of the Customs House Docks, began earlier this year. The planners say that eventually the centre will contain over 1m sq ft of office space, 450 residential units, an international hotel and conference centre, 200,000 sq ft of restaurants and shops and a marina. Total cost of the project is expected to be £250m.

The centre is the pet project of Mr Charles Haughey, the Irish Prime Minister. From the beginning Mr Haughey has put his full political weight behind the project and made sure that bureaucratic delays are kept to a minimum.

"The establishment of an international financial services centre... exemplifies the kind of economic leadership we are giving. It is a flagship, perhaps the most important development in the commercial life of Dublin in our time," says Mr

Haughey. The Government says financial institutions will find many advantages in locating in Dublin. The centre has an incentive package which includes a 10 per cent corporation tax and zero capital gains on traded income.

Mr Haughey has put his weight behind the project

Costs, says the government, are far lower in Dublin than in London or New York. Most importantly there is a ready pool of young and highly skilled labour available. Eventually, it is hoped that the centre's activities will create as many as 7,500 jobs.

However, the centre has its critics. The government, it is said, is creating a tax haven. Irish institutions, including the main banks, have already announced they will move many operations to the centre. This will mean a loss of government revenues.

Sceptics argue that projections on job creation are

far too optimistic. They point out that since "Black Monday" the situation is very different from what it was before. Now there is a surfeit of qualified and experienced financial staff in London and elsewhere as companies cut back on expenditure.

Mr Dermot Desmond, a leading Dublin broker and author of much of the initial plan for the centre, says that the advantages in favour of Dublin are now greater than before the October crash. "Financial institutions are now looking more closely at their expense sheets. Dublin is a natural choice, in the same time zone as London, cheaper yet offering the same language."

The Irish Industrial Development Authority (IDA), which has been zealously marketing the project, says that so far 33 companies have been approved for the centre, including several foreign institutions such as Citicorp and Chase. The sceptics will not be ready to believe the figures until the centre, in all its splendour, is up and functioning.

Kieran Cooke

Continued from Page 1

island behind an island" and limits the perception of young people to employment, cultural and recreational opportunities in other EC countries.

In the current exodus from Ireland of well-educated young people, the destinations are the traditional outlets provided by the big cities of Britain and the US, rather than France, Germany or Belgium, though a minority has recognised that taking up a job in Paris, Munich or Brussels is not emigration but constitutes part of

the rights of free movement of citizens of the European Community.

Slowly, Irish people are beginning to recognise that the EC is not just a financial club for the benefit of farmers, businessmen and diplomats but that joining the Community, in the words of Professor Patrick Keating of Trinity College, Dublin, represented "a

quantitative change in the way which Ireland interacted with the world."

Partnership in one of the major economic powers has increased Ireland's standing in the world far beyond that of other small dependent nations. Before accession to the EC in 1973, Ireland's "external relations" were dominated by proximity to and dependence on Britain. Joining the Community provided the country with an opportunity to develop "foreign" policies on a wide range of issues and to influence world events.

An irritant for Ireland's partners, however, is its tendency to thwart moves towards discussion of defence issues on the grounds that Ireland is militarily neutral. On the more quantifiable aspects of Ireland's EC membership, the balance sheet shows how much the country has benefited financially. In the years 1973-87 Ireland's net receipts from the EC budget totalled £5.5bn, a figure which is worth £10bn in 1987 prices, according to Mr Ray MacSharry, the Minister for Finance.

In 1986, the latest year for which comparable figures are available, the net transfers to Ireland from the EC budget accounted for 4.9 per cent of the country's gross domestic product. This is the highest

A geographical disadvantage

percentage transfer of all 12 member states.

The bulk of the benefits has come from the common agricultural policy's system of high guarantee prices to farmers. Indeed, 73 per cent of the financial transfers from Brussels to Ireland in 1986 came from the farm guarantee fund. From 1983 to 1986 Ireland's approved receipts from the farm prices more than doubled from £247m to £384m.

In 1986 Ireland received £213m from the Community's structural funds - infrastructure investments and grants to industry through the regional fund - vocational training and employment schemes through the social fund and modernisation of food production and marketing through the farm guidance fund. After some hesitation the Irish government last month lifted a reserve on the part of the February agreement which provided for a doubling in real terms of the structural funds in 1983. By 1992 the Department of Finance calculates that the structural funds will account for 34 per cent of EC spending in Ireland compared with 27 per cent two years ago.

The whole of Ireland is defined for grant purposes as one of "the least prosperous regions" in the Community. The Government's 1992 aware-

ness campaign is directed primarily at businessmen, the self-employed and the trade unions. With two out of three jobs dependent on industrial exports, the Government wants to encourage Irish firms to regard the 1992 deadline as an exciting challenge.

The biggest problem facing Ireland is the need to harmonise indirect taxation throughout the Community. The Government is seeking compensation for a loss of revenue which it estimates at £420m in the first year and £350m annually.

As exports are so crucial to the vitality of the Irish economy and 70 per cent of them go to EC countries, a particularly worrying problem will arise once the Channel Tunnel, joining Britain and France, is completed. This will put Ireland in the unenviable position of being the only EC member state without a direct land connection to mainland Europe.

To offset this geographical disadvantage, the Irish government plans to embark on a major construction programme to improve national primary and secondary roads and links to air and sea ports. These projects will qualify for 75 per cent EC funding.

John Cooney

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IRELAND 3

Millenium celebrations

The Dublin bandwagon

IN CASE any visitor to Dublin has not noticed, 1988 is the year Ireland's capital city is celebrating the Millennium. Well, that's what the officials are saying, anyway.

Some academics say next year is the proper date for the city's celebrations. Others point out that the first Viking settlement was made in the south bank of the River Liffey in AD 941. Millennium organisers are unconcerned by such historical niceties. All year long, the Millennium has been in full swing, with more than 1,400 events due to take place in the city over the 12-month period. These range from the lavish to the obscure, the scholarly to the banal.

But then there is a Jewish week to look forward to, as well as a pagan celebrating Dublin's Viking beginnings. As in the past, more than 4,500 Americans will invade the city to watch a special Millennium American

football game. Alongside all the pagantry and paraphernalia, which includes Millennium wine ("vesatile and rather catholic") Millennium milk bottles, umbrellas and, of course, tee shirts, there is a serious side to the festivities. In the 18th century Dublin was the second biggest city in British, full of the Georgian houses of wealthy merchants and landowners. The Millennium organisers have tried to create more awareness among Dublin's population of the city's history and its beauty, badly scarred by developers and bad planning in recent years.

The Millennium has more than its share of critics. Many say that the 12th being spent on the celebrations would be better used solving the city's serious poverty, building and community problems. But a new awareness of what Dublin has to offer, its achievements and its cultural richness has been born. It is also predicted that the Millennium will bring in some much needed revenue to Dublin: 250,000 extra visitors are expected in the city in the course of the year.

Kieran Cooke

Industry

An exports boom



Industrial output makes up 80 per cent of the country's exports

MANUFACTURING has been virtually the sole engine of growth in the Irish economy for all of the 1980s. Output has grown 47 per cent in volume terms since 1980, resulting in a near-doubling of the volume of exports over the same period. However, this has not been enough to stop industrial employment falling by 20 per cent.

There are two distinct sectors in Irish industry. Foreign-owned manufacturers employ 77,000 people. They are largely concentrated in a small number of sectors including electronics, chemicals, pharmaceuticals and office equipment.

The foreign companies have been attracted to Ireland by the Industrial Development Authority (IDA), using a mixture of capital and training grants combined with a special 10 per cent tax rate for manufacturing profits. The IDA estimates that in 1986 foreign-owned manufacturers' profits amounted to £1.54bn or 94 per cent of the total value of sales of £1.637bn.

It is a totally different story with indigenous industry. With the exception of food, output in this sector has been declining by an average of 2 per cent per annum since 1978. These companies have suffered most from the corrective measures needed to tackle runaway public spending and a soaring national debt. Retail sales are down 11 per cent in real terms on 1980 levels.

The success of the foreign-owned sector is not an entirely unmitigated blessing. Most of the profits generated by Irish subsidiaries tend to be repatriated by their parent companies. Such outflows amounted to £1.23bn in 1986 and a further £1.27bn last year.

In its targeting of suitable foreign investment for Ireland, the IDA has concentrated on the high technology end of the market. While this may provide the best employment opportunities for a well-educated workforce, the linkages with the more traditional indigenous companies are minimal. The IDA reckons that of the 1986 sales figure of £1.637bn only 39 per cent or £2.64bn was actually spent in Ireland. The biggest single item was wages and salaries at £1.08bn, or almost 16 per cent.

While the process of restoring the Republic to full economic health may yet take some time, there are encouraging signs. With last year's growth in manufacturing output likely to be followed by a further 10 per cent increase this year, industrial employment is likely to stabilise.

The export boom was the main reason for last year's remarkable 4.5 per cent growth in GNP. The 14 per cent jump in exports to £10.72bn was mainly due to industrial



exports which at £12.6bn now represent 80 per cent of total exports. This proportion seems likely to increase further as restrictions on the EC's Common Agricultural Policy (CAP) cuts agricultural output.

Mr Liam Connellan, director-general of the Confederation of Irish Industry (CII), argues that Ireland, with its small open economy, has no choice but to go for an export-led recovery. He believes that the worst is now over for Irish industry.

"Indigenous firms are showing growth. Our competitive situation is improving. Our inflation and domestic cost increases are lower than those of our competitors," says Mr Connellan.

The IDA has been seeking to boost linkages between foreign-owned and indigenous companies as the available pool of mobile international investment dries up and competition for what remains

becomes intense. "We've got a job to do to get more of the imports of raw materials sourced here and more of the profits generated here invested here," says Mr John McMahon, the IDA's chief economist.

When it comes to supplying overseas firms, the success of the indigenous printing industry stands out. Printing computer manuals for the electronics companies now established in Ireland has become big business. One of these companies, Printech International, saw its shares launched on the USM last November, less than 10 years after its foundation in 1978.

At present pharmaceuticals, food and dairy products, computers and other electrical machinery account for 50 per cent of the total industrial output.

For indigenous firms the outlook is not as bleak as it recently was. Retail sales were up 1 per cent in real terms for

the first quarter of 1988 and the hope is that the long decline is now over. Native firms are also beginning to grow to a size which allows them to compete in international markets. This is particularly true of the agriculture sector.

One by one, the dairy cooperatives are transforming themselves into public limited companies. An Irish company, Goodman International, is now the largest meat company in Europe. Factors such as these allow Irish industry to look forward with some confidence to the coming of the single European market in 1992.

"Industry is very positive. This is for the very clear reason that 80 per cent of our output is exported. By far the predominant interest of industry is to have free and open access," says Mr Connellan of the Confederation of Irish Industry.

Dan White

Taxation

Helping foreign investors

SOME IMPORTANT tax changes have been brought into law as a result of the Finance Acts 1987 and 1988, both in respect of corporate and personal taxation. The Irish Government, no matter what particular political persuasion, has been dedicated for several decades to encouraging investment, in the state, by foreign industry.

Through the system of state grants administered by the Industrial Development Authority and Shannon Free Airport Development Company and through a wide variety of direct taxation incentives, the efforts to attract foreign investment to the country have been rewarded to an unparalleled degree.

Historically, among the most important direct taxation incentives have been the corporate tax freedom on profits derived from the manufacturing and exporting of goods (known as export sales relief), the complete tax exemption for profits derived from business activities located in the Shannon Airport Zone, and since January 1 1981 the application of the special 10 per cent rate of corporation tax to manufacturing industry.

Indeed, since January 1981 the privileged rate has been extended to more and more businesses and activities beyond the status of manufacturing and the most important recent extension of the 10 per cent rate is to trading operations located at the International Financial Services Centre on an old waterfront area of the Dublin docks known as the Custom House Docks site.

which has commenced. The development consortium aims to built:

- more than 750,000 sq. ft. of financial service office buildings
- 300 residential apartments
- a cultural centre, to include three museums, among them a children's science museum
- over 50 shops, pubs and restaurants
- several cinemas and theatres
- an international hotel with 300 bedrooms
- a 1,500-seat conference and exhibition centre
- underground car parking for nearly 2,000 cars
- a training centre
- a helicopter port

A wide range of trading operations will be eligible for the 10 per cent corporation tax rate; these activities must be carried out on behalf of non-residents of Ireland and, where relevant, in non-Irish currencies. Examples would include:

- (1) The provision for non-resident persons of services, in relation to transactions in foreign currencies, which are of a type normally provided by a bank in the ordinary course of its trade; examples will include hedging operations against exchange risks and interest rate risks or exchange control planning and management.
- (2) The carrying on for non-resident persons of international financial activities including, in particular:
 - (a) global money management
 - (b) international dealings in foreign currencies and in futures, options and similar financial assets which are denominated in foreign currencies.
 - (c) Dealings in bonds, equities and similar instruments which are denominated in foreign currencies.
 - (3) Insurance, reinsurance and international insurance

The Custom House Docks site is most convenient to the central business and shopping districts. The Irish Government is anxious to see that there is development of inner-city areas generally, especially with a resurgence of residential units. Earlier tax incentives enshrined in the 1986 Finance Act will aid this policy, thus:

- Tax depreciation allowances are given in respect of commercial buildings and structures in the area. The normal tax rules prohibit tax depreciation other than for buildings classified as industrial buildings.
- There is a double rent allowance for the purposes of computing trading profits for tax purposes for the first 10 years of a new lease.
- Local government taxation (known as rates) are also freed for the first 10 years in respect of buildings erected, enlarged or improved on the site.
- There is a relief to corporate lessors or to individual lessors for the construction or conversion cost of dwellings provided for rental.
- There is a deduction against an individual's taxable income for expenditure incurred on the construction or refurbishment of owner-occupied dwellings.

brokerage activities.

(4) Back office operations such as the provision for non-resident persons of services, or facilities for, processing, control, accounting, communication; clearing, settlement or information storage in relation to financial activities. Furthermore, activities will be permitted in respect of the development or supply of computer software for use in the provision of the services or facilities of the type just noted.

(5) Trading operations which are similar to, or in any way ancillary to the operations described above, in this regard leasing, factoring (excluding debt collection activities) and credit card functioning will be permitted to operate at the privileged tax rate within the site.

The Finance Act 1988 also allows for a most innovative development which had been sought by indigenous Irish industry for some time. It approaches the style of exemption from tax in respect of repatriated dividends which is a feature of a number of countries' tax codes both inside and outside the European Community.

Thus, for example, it is well known that a vital ingredient in the Dutch tax code is the participation exemption whereby overseas profits of subsidiaries (subject to certain conditions) are repatriated to the Netherlands tax-free in that country.

Without any fundamental change to the Irish tax code which is based on the principle of double taxation relief by credit when profits are repatriated, it is now provided that in certain circumstances dividends received by a company after April 5 1988 from a foreign subsidiary will not be taken into account for corporation tax purposes if those dividends are applied for the purposes of an investment plan - approved by the Minister of Finance - directed towards the creation or maintenance of employment in a trade carried on within the state.

The shareholding in the foreign subsidiary must be at least 25 per cent of the foreign company's ordinary share capital. That subsidiary, in turn, must be resident in a country with which Ireland has a double taxation treaty; at the present time Ireland has 21 such treaties.

Personal income taxation remains relatively high, particularly when compared with the substantial decline in personal tax rates in the UK. However, the Irish Government has embarked upon a programme to bring personal taxation rates down while, on the other hand, working to improve the returns to the Exchequer by increasing the powers of the Irish Revenue Commissioners to provide a broader base for tax liability and a much more effective collection procedure.

In the January 1988 Budget the Minister for Finance announced a number of fundamental changes in tax assessment and collection procedures would be made; the Finance Act 1988 goes a long way to moving towards the self-assessment principle. The new arrangements will place significant responsibilities on taxpayers for meeting their own tax obligations and are intended to reduce the levels of estimated taxation assessments and to streamline and significantly reduce the number of appeals.

Nothing appeared in legislation to allow those companies to proceed automatically to the new 10 per cent rate after April 5 1980. The Finance Act 1988, at

a stroke, removed certain inhibitions in the original 10 per cent rate legislation applicable to Shannon, relating to the concept of an "indirect investment" so that Shannon tax-free companies may now look forward with confidence to qualifying for the 10 per cent rate after the expiry of their tax freedom in April 1990.

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A. Graham Williams
The author is a partner in Ernst and Whitney, chartered accountants, Dublin.

IRELAND 4



The customs post between Monaghan and Armagh; and horse-riding at Turnpike Rock, Gap of Dunloe, Killarney

Potential of the industry has not been realised — Haughey

The case of the missing tourists

IRELAND, as anyone who has ever been there will tell you, has some of the most beautiful and unspoilt scenery in Europe. It has a small population and miles of isolated countryside, 680,000 acres of lakes and 9,000 miles of river.

Yet the story of Irish tourism is not a particularly successful one. Last year 2,037m tourists visited Ireland, a 12.4 per cent rise over the 1986 figure. Revenue from tourism has steadily increased from £417m in 1981

to £685m in 1985 to £721m last year.

Such growth figures are only modest compared to much of the rest of the world. "It is now clear that we have been failing to realise the potential of our tourist industry. During the last decade, when world tourism markets were growing buoyantly, we either lost market share in some countries or our share remained static in others," said Mr Charles Haughey, soon after taking

over as Prime Minister in March last year.

Most alarming for the government is that in recent years Irish people going abroad have spent more than the country earned from incoming tourists.

In January 1987 a special tourism task force was given four weeks and a budget of £4m to come up with new ideas for promoting Ireland overseas. One result has been a "write and invite" campaign under which about 3m cards

were distributed within Ireland asking people to write to contacts overseas about the holidays available within the country and the new air fares and routes which have made travel to Ireland cheaper and more convenient.

So far, nearly 100,000 replies to the cards have been received. It is hoped that foreign tourist revenue will climb to £900m this year and be over £1bn by the end of 1989.

Bord Failte, the Irish tourist board, is putting emphasis on "theme holidays," with all-inclusive golf, riding, sailing and fishing expeditions, carefully tailored to the tastes of the foreign visitor.

The board wants to see a growth in tourists from mainland Europe, particularly Germany and Holland. Last year over half the tourists who came to Ireland were residents of Great Britain while 378,000 came from the US and Canada.

Most of these tourists are of Irish extraction. The government recognises that much still needs to be done to attract those who have no previous connection with the Emerald Isle.

However, Bord Failte, along with other government bodies, has seen its budget cut and its resources for vital overseas marketing are limited. And there are other problems. The ongoing violence in Northern Ireland is still an important factor in discouraging tourists, especially those who are first-time visitors from Britain.

Ireland is not as unspoilt as it once was: there is increasing

Communications

The skies are open

WHEN THE Channel Tunnel is completed, Ireland will be the only country in the Community not connected to mainland Europe.

Improved communications and the need for frequent and cheap services in and out of Ireland are becoming increasingly vital. Already there has been something of a revolution in the skies. Now a London/Dublin air ticket can be purchased for as little as £29 one way. Two years ago the fare would have been three times that.

Low air fares have brought a dramatic increase in passenger traffic. Over the past two years passenger traffic between Dublin and London has grown by 65 per cent. Passenger numbers at Ireland's three main airports — Dublin, Shannon and Cork — totalled 5.2m last year, an

increase of 18 per cent over 1986.

Perhaps most significant of all has been the opening up of the more remote areas of Ireland to aircraft traffic. A new airport at Knock, in the west of Ireland, has been open under two years but is already turning in a small operating profit.

The critics said Knock would never work, but the bookings seem to have proved them wrong. Each week this summer more than 40 direct London flights will be going to Knock. And Sligo, in the north-west of the country, is another airport which has seen a dramatic growth in traffic.

Not only has the Irish government liberalised air transport with other countries — most notably signing a far-reaching access agreement

with Britain late last year — it has also allowed greater competition in the home market.

Competition between Aer Lingus, the state carrier, and Ryanair, an independent airline which started operation in early 1986, has become exceptionally fierce, particularly on the profitable London route.

British Airways, Dan Air and Virgin Atlantic have all cut fares. A multitude of new routes has been opened.

For the passenger, who for too long had to pay some of the highest per mile fares in the world to fly in and out of Ireland, the new "open skies" policy is very good news. For Ireland, it is a vital development in its integration into the rest of Europe.

Kieran Cooke

Stock market Better than Tokyo

ANYONE WHO survived the Crash of 1987, or who had funds to spare afterwards, would have done very well by investing on the Dublin stock exchange this year.

The Dublin market proved one of the most volatile in the post-crash period. Within three weeks of Black Monday, the equity market had lost 40 per cent of its value. The exposure of many leading Irish companies to the US, especially J&Ferson Smurfit, which accounts for 20 per cent of the market valuation, led to heavy mark-downs amid fears that a major US recession was imminent.

Those fears have receded, and as they did so, the market rebounded. The result is that it has gained 45 per cent during 1988, far exceeding the rises in London and New York and beating even Tokyo's 31 per cent increase.

Brokers believe the market is fairly valued again in comparison with London and other centres, and expect it to track the international trends for the rest of the year. But it has been a nerve-racking ride for all concerned.

Turnover on the Dublin Stock Exchange last year was over £38bn, a 37 per cent increase on the previous year. Not surprisingly, it was a record year for equity turnover, but at £4.95bn, it highlighted the fact that trading in government bonds, or gilts, is much the more important part of the market.

Stockbrokers, however, rely more heavily on equity dealings for their income and the steep decline after the crash sent nervous tremors through their offices in the environs of the Stock Exchange in Anglesea Street. Many of those same offices had been much expanded during the boom, with an emphasis on front office share shops where callers could inquire about investment or complete transactions.

At the bottom of the trough in December, equity turnover in one account period fell to £48m, a far cry from the record £574m set in the account period to October 23. There was talk of lay-offs, amalgamations, even failure among broking firms. In the event, little blood was spilled, although there has been general tightening of costs all round.

Moreover, Ireland is still an expensive country. It needs to make itself far more internationally competitive if ambitious tourist growth projections are to be met. Mr Haughey's government is keenly aware that action is needed. "A second-rate tourist industry will not meet the requirements of our national economic recovery," says the Prime Minister.

Neither the department nor investors seem happy with the current working of the market. Earlier this year, Mr Tony Egan, investment manager of Irish Life Assurance, one of the biggest Dublin institutions, said changes were needed which reduced the needs of market users and not just stockbrokers.

Deregulation after London's Big Bang had led to some reduction in commissions — though Mr Egan thinks they are still too high — but no structural changes. Among the changes he most wants to see is the establishment of a gilt settlement office to reduce the potential exposure of market participants.

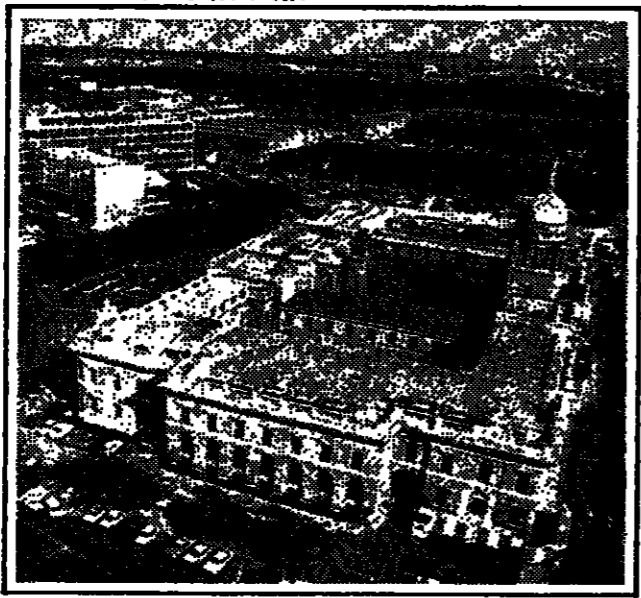
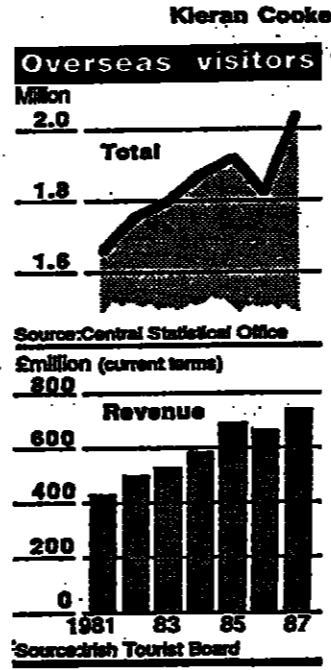
The Department of Finance also wants changes, especially any which might bring down the cost of funds. Earlier this year it launched a gilt denominated in European Currency Units (ECUs) in which Allied Irish Bank agreed to be a market maker but it seems doubtful that this made the way forward any clearer. The problem is how to separate the market making function from the funding role, in a market where three of four major players dominate the scene.

The Dublin stock market is looking to the future in more ways than one. At present, there are two proposals for the establishment of a futures and options market, one from the Stock Exchange itself, using the Topic information system, and one organised by National City Brokers, who have developed a screen-based dealing system.

One thing everyone agrees upon is that there is room for only one such operation. NCB is the favourite but so far no-one has found a face-saving formula to let whoever loses exit gracefully.

Brendan Keenan

Additional research for this survey by John Maher of Trinity College, Dublin.



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ARTS

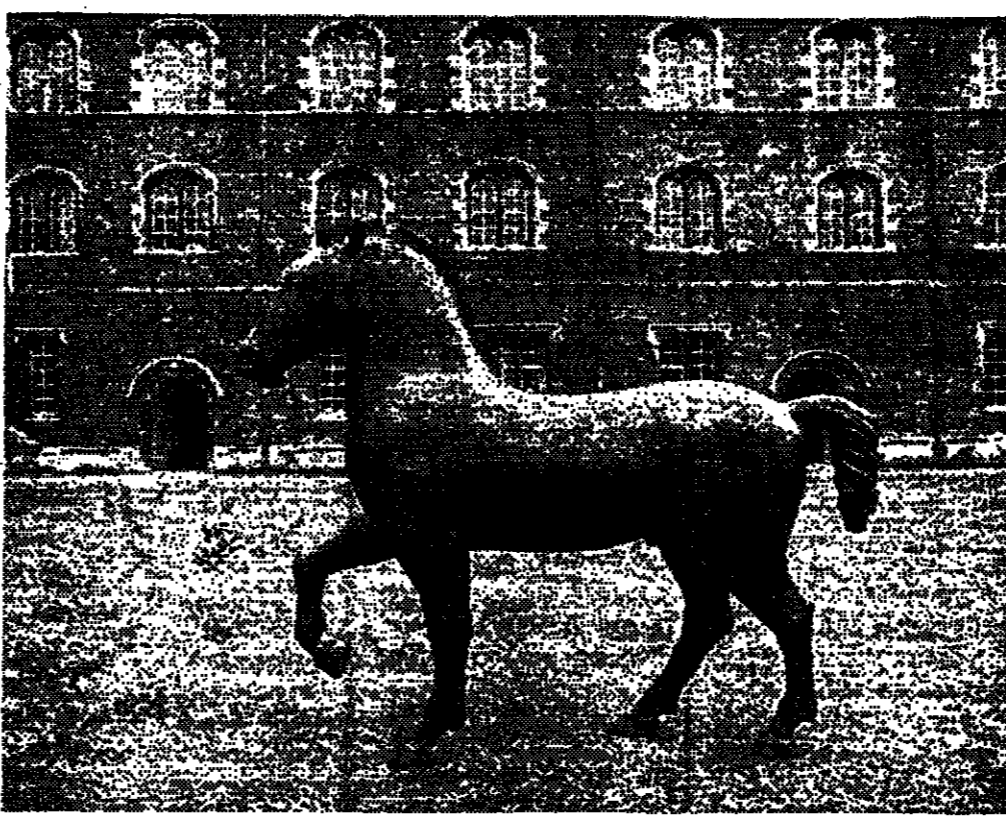
Summer sculpture

William Packer visits Jesus College, Cambridge and the Forest of Dean

Some years ago I was involved by a friend in a scheme to put a sculpture into the Oxford College gardens...

Keir Smith's carved railway sleepers, no less symbolic but more finely worked, on the grass next to...

The hope was always that the project would run to a phase II, and so it has turned out. Indeed the project has been so successful that...



Barry Flanagan's bronze horse in the quad at Jesus College.

remember it, and David Nash's 'Black Dome', a low mound of charred timber posts...

By now Zadok Ben David, who represented Israel at the Venice Biennale...

set ourselves apart. The Fourteenth, they say, may either be all sung in Russian translation...

In the Paddington Style

SOHO POLY

In his Notebooks, Athol Fugard skilfully refers to his production of Brecht's Cossovision Chalk Circle...

that Matshikiza (who also directs, too indulgently should really have gone the whole hog and done his own relocated version of the great play...



Burt Caesar, Jabu Mbalo and Pamela Nomvete

Commemorating the Holocaust

COVENT GARDEN

The concert given by the London Symphony Orchestra in the Royal Opera House on Sunday night was designed specifically as a commemoration of the Holocaust...

the cycle of texts that make up the Fourteenth, they say, may either be all sung in Russian translation...

Girl Crazy

GUILDHALL SCHOOL

This 1930 product of George and Ira Gershwin (music and lyrics), book by Guy Bolton and Jack McGowan...

Sub-plots have Goldfarb, a stranded New York cab-driver, standing for sheriff, a post that incurs a high mortality-rate...

Bruch's Odysseus

ELIZABETH HALL

For years Bruch has been a one-work composer (the work in question being the favourite G minor Violin Concerto)...

Martin Hoyle

Richard Fairman

Bobby McFerrin

VICTORIA PALACE

It is always a hit or miss business, dropping in on the rituals of a minority cult.

perfectly pitched. What saves the show is McFerrin's personality. He is relaxed to the point of limidity.

ARTS GUIDE

July 15-21

MUSIC London L'Inconsonante di Proppa by Monteverdi, with London City Opera and City of London Baroque...

West Germany Schleswig Holstein. This summer's festival has been extended to 176 concerts...

OPERA AND BALLET London Cullinan. London Festival Ballet with Swan Lake and an interesting set of triple bills.

3 (with pianist Michael Rudy). Stravinsky's Petrushka and three dances from Ravel's Les Maîtres Chanteurs...

Netherlands Amsterdam. Concertgebouw (Racial Hall). Yuzuru Yokoyama, violin and Andrea Schiffrino piano...

Amsterdam L'Inconsonante di Proppa by Monteverdi, with London City Opera and City of London Baroque...

New York Mostly Mozart Festival. Mostly Mozart Festival Orchestra, conducted by Gerard Schwarz with James Galway and Eugene Zukerman...

Japan Tokyo. Shinjuku Symphony Orchestra, conducted by Ohtsuru Takano...

Justino Diaz and the Fujiwara Opera Company, conducted by Michalangelo Veltri and directed by Paolo Trestini...

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Tuesday July 19 1988

Iran opts for a ceasefire

THE announcement by Iran yesterday that it had accepted the United Nations call for a ceasefire in its war with Iraq is the most welcome and hopeful international development since the agreement on the Soviet troop withdrawal from Afghanistan in April. Of all the regional conflicts, the Iran-Iraq war has been the most costly, both in human and economic terms, and potentially one of the biggest threats to world peace.

The war has involved not only the two main protagonists, who are estimated to have lost more than one million killed or wounded, but directly or indirectly a substantial part of the Arab world, the superpowers and the oil-importing nations. It must be considered something of a miracle that, in spite of constant Iranian attacks on international shipping in the Gulf, the presence in the area of warships from the US, several other Western nations and the Soviet Union, and dangerous incidents such as the shooting down by the US of an Iranian airliner, a wider conflict has not broken out.

US-Soviet relations

Part of the reason can be found in the improvement in the relationship between the US and the Soviet Union since Mr Mikhail Gorbachev came to power in 1985. The international community, it is true, was slow in waking up to the gravity of the crisis when it broke out in September 1980. It took days for the UN Security Council to meet and, when it did, it failed to condemn the Iraqi invasion or to call for a return to pre-war frontiers, merely proposing a ceasefire. Iran's feeling that the international community was hostile to its cause was partly rooted in this initial failure to condemn Iraq.

However, the members of the Security Council, not least the US and the Soviet Union, have made up for their initial inaction over the past year. Their adoption of Resolution 598 calling for a ceasefire and

Unsolved issues in electricity

THE UK Government's plans for privatising the electricity industry are still incomplete and many of the most difficult issues have been left until last. It is high time these issues were opened up for scrutiny.

The 16-page white paper published in February sketched an outline structure, leaving uncertainties about the effect of regulation on commercial relationships within the industry, the allocation of risks and the conflicting pressures for high profits and low prices. After five months of lobbying by different factions, the Government's thinking on these questions remains obscure. No considered analysis has been published. Yet decisions to be taken while the privatisation Bill is being drafted over the next four to five months will be fundamental to the reshaping of one of Britain's most important industries. The uncompleted agenda includes: the general powers of the regulator; the design of a formula to control prices and the extent to which generating costs will be passed through to consumers; the terms on which competing generators will be allowed access to the national and local transmission networks; the powers of the national grid company and methods for allocating unforeseen and allowable costs in the nuclear sector.

Efficiency incentives

These are not details, as any regulator of the US private sector electricity industry will testify. The reason is that in an industry characterised by large elements of natural monopoly most of the incentives for economic efficiency must be provided by good regulation. For example, an apparently subtle change in the rules for passing increased fuel costs through to consumers can have a big effect on investment plans.

A permissive rule which required consumers to pick up all fuel bills could allow the industry to maximise profits by building too many cheap, inefficient power stations. On the other hand if generating companies were exposed to all the risk of rising fuel prices, as well as investment risks, the

withdrawal of forces almost exactly a year ago was itself an achievement and an indication that the US and the Soviet Union were genuinely interested in putting an end to the Gulf war. Even more remarkable is the fact that the Security Council members have stuck to their guns since then. The other factor that has played a big role in Iran's change of heart is sheer physical and economic exhaustion, which has undermined the war effort and even the political unity of the leadership. A series of Iraqi victories since the spring of this year has helped to bring more moderate leaders to the forefront. The nomination last month of Ali Akbar Hashemi Rafsanjani, the Speaker of the Iranian Parliament, as head of the Armed Forces General Command, was an indication that those who wanted to reach an accommodation with the West were gaining the upper hand.

Low-key reaction

That impression was reinforced by the relatively low key reaction from the Iranian Government to the shooting down by a US warship of the Iranian Airbus. Nothing is more indicative of Tehran's more chastened attitude than yesterday's statement by the Armed Forces General Command which said that bravery and defence of Islam could be achieved elsewhere than on the battlefield and by other than military means. The mere acceptance by Iran of the ceasefire resolution does not, of course, automatically bring the war to an end. The initial reaction of Iraq, which accepted the resolution in principle shortly after it was adopted, was both critical of the language in which the Iranian acceptance was couched and suspicious of Tehran's real intentions. The US has also been very cautious. But at least the prospects for a settlement of a conflict which has destabilised the whole Middle East region have never looked better since it began eight years ago.

Varying costs

Studies by the US National Regulatory Research Institute demonstrate that the true costs of transmission can vary by a factor of 300 in different circumstances and at different times of day. Designing regulations to give even approximately correct pricing signals to generators and distribution companies will be difficult. No doubt, compromise solutions will be found but these two examples emphasise the need for more careful analysis and informed public discussion than has been evident so far. The Government should publish its preliminary ideas as soon as possible. Almost everybody whom the Government is now consulting will have a commercial interest in the outcome. Even the Government itself is interested in profits from the sale, which would tend to be increased by a loose or fudged regulatory regime.

The main danger is that in their haste to draft a Bill by the autumn, ministers will adopt a series of cosmetic solutions. This danger is increased by the pace imposed by the Cabinet to meet an electoral timetable. Civil servants in the Energy and Environment Departments appear to be competing in a bureaucratic egg-and-spoon-race to get water and electricity to the finishing post on time. In these circumstances errors of judgment become more likely and it will be even more important that the regulator should be given wide powers to pick up the pieces and refashion them where necessary.

Andrew Gowers on a breakthrough that could signal the end of the Gulf war

The peace of exhaustion

After nearly eight years, more than a million wasted lives and hundreds of billions of dollars, it looks for the first time as if the Gulf war may finally be drawing to a close.

Iran's statement yesterday apparently agreeing to a ceasefire drew a cautious initial reaction from Western capitals — an appropriate response, given the number of false dawns to which the war has already given rise.

But if it is followed through, the announcement that Iran is prepared to accept unconditionally United Nations Security Council resolution 598 — which calls for an end to hostilities and the withdrawal by both sides to pre-war borders — will open the way for an end to one of the longest and bloodiest conflicts of the 20th century. There are other implications. An end to the war should lead to:

• A significant reduction in tension in a region that contains more than 50 per cent of the world's proven oil reserves, and a consequent lowering of the political temperature elsewhere in the Middle East.

• The possibility that the US and other Western nations can reduce their naval presence in the Gulf.

• In time, a major reconstruction boom, fuelled by international aid, which will benefit companies from all over the world.

In any event, however, an end to the war will leave both Iran and Iraq looking inwards, faced with a host of more or less intractable domestic problems.

The Iranian statement yesterday came as a bolt from the blue. In the 12 months since the Security Council unanimously passed resolution 598, the Tehran leadership has ducked and weaved. With considerable diplomatic skill, it has staved off the threat of UN sanctions to enforce the call for a ceasefire. In April, Iran came close to endorsing a plan for implementing the resolution drawn up by Mr Javier Perez Cuellar, the UN Secretary-General, but hardliners in the regime balked at the last minute.

There has been a palpable growth of war-weariness in Iran over the last year. And Iranian forces have been ejected from much of the Iraqi territory they had captured in recent weeks. Taken together, these developments had led observers to expect that the conflict might be allowed to wind down to a lower, more manageable level. But until yesterday, the package of peace terms had been denounced as biased in favour of Iraq and nobody expected Iran to accept them so forthrightly.

The consensus among Western diplomats in Tehran and Iran-watchers elsewhere had been that Iran could never see the form of peace which Ayatollah Ruhollah Khomeini, the author of the country's Islamic revolution, was alive. The Ayatollah has consistently called for a continuation of the war until the overthrow of Iraqi President Saddam Hussein. Yet yesterday's statement from the newly-established Armed Forces General Command — which could not have been issued without his approval — calls merely for the "exposure" of Iraq as the aggressor in an international inquiry into the origins of the conflict.

Yesterday's statement turns conventional wisdom on its head in a number of other ways. It comes close to stating that Iran, which has been calling without obvious success for redoubled efforts at the battlefield for several months now, no longer has a military option, and that victory should henceforth be defined in diplomatic terms. It amounts to an admission that Iran, which has always insisted that the war and the revolution are one and the same thing, has been forced to choose between prosecuting the war and focusing on its economic, social and political problems at home. More broadly, it represents a tacit abandonment of Iran's goal of global Islamic revolution — which has always supposed to begin with the establishment of an Islamic regime in Iraq — in favour of a more limited policy of "Islam in one country."

For Iran's leaders, this is a huge gamble, but it reflects the desperate straits in which the recent string of military setbacks has placed them. Ever since Iranian forces were pushed out of Iraq's Fao peninsula in April, the overriding impression in Tehran has been one of political as well as military confusion, accompanied by a worsening economic crisis. The regime had become

- Feb 79: Islamic Revolutionary Forces take over Iranian Government
- Sept 80: border clashes between Iran and Iraq; Iraq invades Iran
- Sept - Dec 81: Iran counter attacks, recaptures Abadan
- May 82: Iran recaptures Khorramshahr
- June 82: Iraq retreats from last position on Iranian soil
- July 82: Iran reject Security Council resolution appealing for ceasefire; orders advance on Baghdad
- 1983: Iranian offensive; Iraq attacks Iranian oil platforms
- Feb - Mar 84: Iran launches major offensive to cut Baghdad-Basra road; advances into oil-rich Majnoon region
- April - May 84: tanker war intensifies
- Mar - Jun 85: unsuccessful Iranian offensive in Howeiza marshes; start of War of the Cities

anxious aware of its diplomatic isolation, with all that implied for access to international markets. The dangers of political fragmentation; after Ayatollah Khomeini's death, which many observers see as not far off, were potentially acute.

Apart from sheer exhaustion, however, there are several reasons why Iran should have decided to cut its losses now. In the first place, there are signs of consolidation in

mountainous northern region of Kurdistan, the battle lines broadly conform to the international borders. As Mr Michael Armacost, the US Under Secretary of State for Political Affairs, suggested last week, this removes one of the most potentially troublesome aspects of resolution 598 for the Iranians — namely the withdrawal of forces.

Thirdly, there was the US Navy's shooting down of an Iranian civilian airliner over the Gulf on July 3. That error, and the resulting death of all 290 people on board, has had the — slightly surprising — effect of encouraging the pragmatists among the Iranian leadership. They protested to the UN Security Council about the incident in the first direct Iranian contact with the UN body for nearly seven years.

And last week, Mr Ali Akbar Velayati, the Iranian Foreign Minister, evidently used his presence in New York for the Security Council meeting to pursue intensive discussions about the war.

The question now is how Iran's dramatic move can be translated into peace. Mr Perez Cuellar was yesterday consulting urgently with his aides with a view to setting the initiative. There are major obstacles still to be surmounted. First is the Iraqi reaction. Mr Latif Nasief al-Jassem, Baghdad's Information Minister, said yesterday that Iraq was "studying notes" on Iran's

the political leadership around the pivotal figure of Hojatoleslam Ali Akbar Hashemi Rafsanjani, who has been parliament speaker since 1980 and was last month appointed acting military commander in chief.

Since being named to his new post by Ayatollah Khomeini, Mr Rafsanjani has been working to bring Iran out of its international isolation. The decision to accept resolution 598 is almost certainly in large part his, and therefore a mark of his political strength. The leadership may well have calculated that if such a difficult decision has to be taken, it is better to get it out of the way while the Ayatollah — the main unifying force of the revolution — is still around.

A second factor in yesterday's announcement was the present configuration of forces on the battlefield. Now that the Iranians have been pushed out of southern Iraq and have largely withdrawn from the



Iran is tacitly abandoning global Islamic revolution in favour of "Islam in one country."

Elders in the City

These may seem odd times in which to launch a new stockbroking business in London, but Roach International took off quietly yesterday. "We did a little bit of business in Italy, some in France and some in Scandinavia," said John Roach, who heads the new firm. Roach is owned by Elders Finance Group, a subsidiary of Ark Securities, a stockbroking arm of Banque Nationale de Paris, in 1988. But he says Ark was becoming too much involved in the normal business of a commercial banker, so he set out to find a new backer. Elders fits because it is strong financially. It is also already in financial services, having a stockbroking firm in Australia, a private client firm in the UK in the form of Cobbold Roach, stockbroking interests in Hong Kong and Singapore and is contemplating going into Thailand.

Crucial point perhaps: Elders is independent enough to resist any takeover bids that may go on in the European financial services market pre-1992. Band admits that at the age of 35 he may have landed on his feet.

The aim is to deal in European and Far Eastern markets for large corporate clients. The initial breakdown is expected to be 70 per cent European. Elders, it turns out, provides a bonus for all its employees, however remote: own brand lager at 40p a can.

Fouquet's at risk

Fouquet's, one of the landmarks of the Champs Elysees, is in peril. The restaurant and cafe on the corner of the Avenue Georges V and the Champs is threatened with closure if it fails to negotiate a new lease with its landlords, a group of Kuwaiti financiers. One of the favourite haunts of the French film industry and Parisian show business, Fouquet's claims that it cannot afford the "outrageous" rent increase that the Kuwaitis are demanding. Other sites have long been given over to fast food pizza and hamburger joints, but the possible closure of one of the few establishments to have escaped Americanisation has caused an outcry in Paris.

Many of Fouquet's long standing customers have decided to group themselves together in an effort to save the restaurant and bar and are planning to appeal to Jack Lang, the culture minister. Perhaps they should also try to lobby Arab circles. During the past few years, Fouquet's has become one of the favourite cafes of the Arab and Lebanese community which has settled in the Champs Elysees and Georges V neighbourhood. The French have a reputation of being adept at Middle East diplomacy.

Parrot law

The White House stargazers and fortune tellers should know that their client's arch enemy down in Central America recently consulted his own metaphysical expert. Daniel Ortega, last week expelled the US ambassador, closed down the opposition press and expropriated the biggest private company in the country. Then he went to inaugurate a cattle fair in the town of Camoapa, one of the most conservative parts of the country where the "outras" have managed to make some headway. Ortega was invited to take a chance with a fortune-telling green parrot. He paid his twenty crowbars, the cage was opened, and from a box of

scores of different cards the bird plucked out a message for the President. It read: "You are too soft with your enemies."

Standard faces

Standard Chartered is having a crack at bridging the average age of its board as part of its effort to revive its fortunes, which have flagged since the abortive takeover bid by Lloyds Bank in 1986.

Three new appointments were announced yesterday. Rudolph Agnew, the chairman and chief executive of Consolidated Goldfields, Patrick Gillam, managing director of BP, and Paul Banks, director of BEF, are all joining the board in August. Agnew and Gillam are 56 and 57; Banks is 60; the three men they replace were 70.

Sir Peter Graham, chairman of Standard Chartered, says the new directors were chosen "because they are outstanding in their fields, and bring a strong and up-to-date management approach."

Frinton fun

"Harwich for the continent," the sign always went and someone would add: "And Paris for the incontinent." For some reason the graffiti at Harwich has now been changed to: "Frinton for the incontinent."

mountainous northern region of Kurdistan, the battle lines broadly conform to the international borders. As Mr Michael Armacost, the US Under Secretary of State for Political Affairs, suggested last week, this removes one of the most potentially troublesome aspects of resolution 598 for the Iranians — namely the withdrawal of forces.

Thirdly, there was the US Navy's shooting down of an Iranian civilian airliner over the Gulf on July 3. That error, and the resulting death of all 290 people on board, has had the — slightly surprising — effect of encouraging the pragmatists among the Iranian leadership. They protested to the UN Security Council about the incident in the first direct Iranian contact with the UN body for nearly seven years.

And last week, Mr Ali Akbar Velayati, the Iranian Foreign Minister, evidently used his presence in New York for the Security Council meeting to pursue intensive discussions about the war.

The question now is how Iran's dramatic move can be translated into peace. Mr Perez Cuellar was yesterday consulting urgently with his aides with a view to setting the initiative. There are major obstacles still to be surmounted. First is the Iraqi reaction. Mr Latif Nasief al-Jassem, Baghdad's Information Minister, said yesterday that Iraq was "studying notes" on Iran's

the political leadership around the pivotal figure of Hojatoleslam Ali Akbar Hashemi Rafsanjani, who has been parliament speaker since 1980 and was last month appointed acting military commander in chief.

Since being named to his new post by Ayatollah Khomeini, Mr Rafsanjani has been working to bring Iran out of its international isolation. The decision to accept resolution 598 is almost certainly in large part his, and therefore a mark of his political strength. The leadership may well have calculated that if such a difficult decision has to be taken, it is better to get it out of the way while the Ayatollah — the main unifying force of the revolution — is still around.


A second factor in yesterday's announcement was the present configuration of forces on the battlefield. Now that the Iranians have been pushed out of southern Iraq and have largely withdrawn from the

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The Royal Bank of Scotland plc
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The Royal Bank of Scotland plc, Registered Office: 101, South Street, Glasgow G2 2UP. Registered in Scotland No. 33212.

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David Lascelles on the new worldwide capital adequacy rules

BANKING is about to achieve the distinction of being the first industry to be regulated on a worldwide basis. In the coming months, banking supervisors in the world's leading industrial countries will begin applying the terms of a capital adequacy accord which was signed by governors of the Group of Ten central banks in Basel last week.

- The Basel capital convergence accord
Main points:
1. All international banks to be subjected to the same capital regime.
2. Capital: Tier one to consist only of equity and disclosed reserves, including non-cumulative perpetual preferred stock.
3. Risk assets: all banks assets, including off-balance sheet commitments, weighted according to their riskiness.

Of it, particularly in Japan where banks will need to raise the greatest amount of new equity. One unspoken purpose of the Basel accord was to subject Japanese banks to the same capital discipline as western banks.

Banking without borders

Defining capital has proved the most difficult part of the exercise, with supervisors wanting banking institutions to be founded on capital which was permanently available to meet losses, but which would take account of the wide varieties of capital that exist in the banking industry.

borrowers whose credit standing was considered to be better than the rest, and whose risk "weighting" could be reduced.

When Japan joins the rule makers



FOREIGN AFFAIRS

When Japan joins the rule makers

One of the best things that has happened to Japan's relations with any other nation for some time is called Mr Kazuo Chiba. This economist is not designed to secure a permanent place at his table, as the new Japanese Ambassador to the Court of St James, nor is it intended to denigrate the worth of his predecessors, either in London or elsewhere.

and is making contributions to economic policy making. But, as Mr Chiba gently pointed out the other day, the debate about Japan's role in the world certainly is not confined to the Japanese themselves, and therein lies a rub.

Jurek Martin meets an ambassador for Japan's changing role in the world community of nations

It is flattering, but a bit unswerving to strike a major chord. The reverberations from Tokyo were that the article had been taken very seriously. One acquaintance made a comparison with the little boy in the fairy tale who had pointed at the emperor who had no clothes.

throws in a few more Western media contradictions, including the FT but mostly from the American press, itself as he wryly notes, a comment on the relative levels of interest in his country. "It just shows how difficult it is for the Japanese to understand what is expected of us."

LETTERS

Calling an end to the bureaucratic games

From Mr Victor Orlik. Sir, Some British papers, including yours, present Mr Gorbachev's proposals in such a dramatic and panic-stricken tone that he might be offering not to reduce troops and armaments in Europe but to escalate them.

logical offensive in the field of further arms reductions. In East Europe we would respond to such an offensive with three cheers.

1945 meeting. As regards "the Soviet superiority in tanks and men" (your words), may I refer you to just one phrase in Mr Gorbachev's speech to the Polish Sejm, where he said: "If Nato shows readiness, we can discuss the issue of the imbalances and asymmetries, even before the start of the formal talks, in connection with the exchanges of data on troops and weaponry."

engage in propaganda exercises - there are other ways and other people to do the job. He is sending out a political impulse, endeavouring to play his part in the creation of a climate in which long drawn-out "games of bureaucrats" are no longer acceptable.

Breaking out of 'fortress Europe' How to read the hedge clauses

From Mr Bryan Cassidy. Sir, Peter Montague's report ("Looming shadow of fortress Europe", July 14) draws our attention to the need to reassure the EC's trading partners that 1992 does not mean putting up the shutters against them.

ist - the Common Agricultural Policy being the most flagrant example. Another is the EC's anti-dumping rules which sometimes seem to be applied to protect inefficient European industries - as with the actions against Japanese electronic typewriters and printers.

From Mr Christopher H. Burt. Sir, Your newspaper and other national publications a half-page advertisement regarding the issue of shares in National Telecommunications plc on July 9/10. Some 250 sq cm were devoted to an application form. However, a tiny fraction of the 250 sq cm was given over to hedge clauses advising the potential investor not to invest before reading the listing particulars and seeking advice from a professional financial adviser.

Glasgow or Southampton? The advertising agencies should be allowed when depending on first class post, so writing for listing particulars was not the solution since the closing date for applications was July 14 1988 at 10 am.

'The Indian Railways' PRS has been a remarkable success'

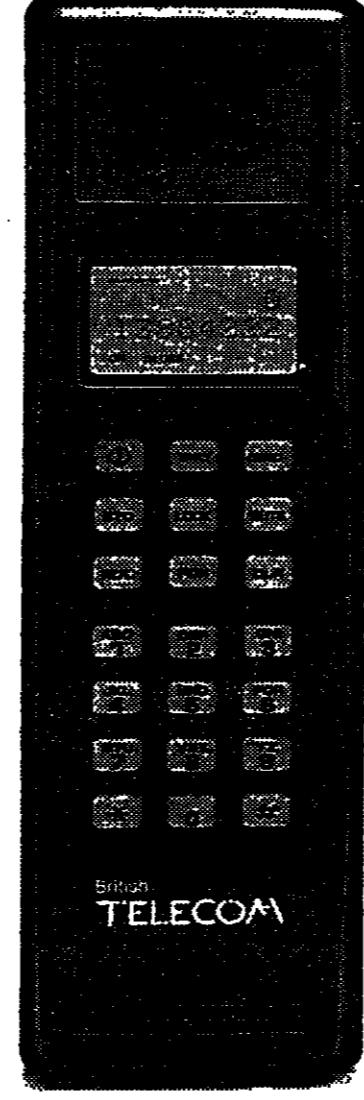
From Mr Richard Heeks. Sir, Having studied the Indian Railways' passenger reservation system (PRS) for some time, I find Stephen Cooke's article on the subject (Technology, May 88) highly ill-informed. It is, I fancy, an example of the dangers of trying to make "what I saw on my holidays" into a serious article.

Gigabytes of hard disk space, hundreds of terminals, and miles of networking cabling. The system was never intended to address the problems of train overcrowding but, by dramatically reducing queue times, it has achieved its major goal. The PRS was purchased from the passenger amenities fund, the purpose of which is to improve services without necessarily hoping for any direct return on investment, although the PRS is estimated to save £4m annually on previously wasted resources such as working hours spent waiting in line.

journey details correct before passing them on to the counter clerks, thus reducing the potential for time-wasting mistakes and misunderstandings. So called "irrelevant details" on the form are all part of the system for fraud prevention, which anyone who had spent a little trouble could have found out.

work and issues the tickets. It also sorts out the accounts (a task which each clerk had to spend 1-2 hours every day doing manually before), sets up train reservation charts, and provides managers with detailed and accurate information on passenger traffic flows.

That's about the size of it.



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Soviet rejects call for Nagorno-Karabakh secession

By Our Moscow Correspondent

ARMENIAN demands for the Nagorno-Karabakh region to be transferred from the neighbouring republic of Azerbaijan were yesterday rejected by the presidium of the Supreme Soviet, the Soviet Union's top executive body.

Nagorno-Karabakh's recently-elected party leader, had earlier argued that the region's Armenian population could not be satisfied with material benefits alone, "to the detriment of national-cultural and spiritual development."

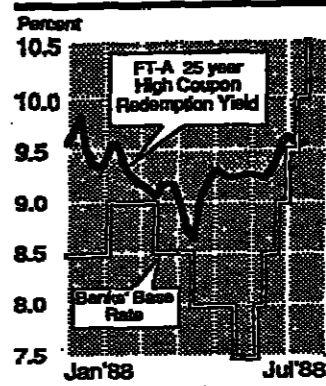
Armenia, Mr Grant Voskanyan, the Armenian President, called for self-determination for Nagorno-Karabakh, although he said Armenia was making no territorial claims.

Real power in the region was now in the hands of "anti-state elements who have neutralised party and state bodies."

THE LEX COLUMN

New weights for Opec's scales

The markets were prepared for one puzzle yesterday, and they got two - first base rates, then the oil price.



healthily without the need to make ever bigger acquisitions. In its quest for size, it has been more restrained than many of its rivals in issuing paper.

Nobrega unwraps a new package

Stephen Fidler on the attempt to reach a debt re-scheduling accord

MR MAILSON da Nobrega, the Brazilian Finance Minister, faced the country's London-based bank creditors yesterday as part of his efforts to gain support for an accord on a \$62bn bank debt re-scheduling and \$5.2bn in new loans.



Mailson da Nobrega: confrontation does not pay

tingency loans, such as the \$2.2bn in such financing arranged for Mexico and which reduced the popularity of that deal.

Brussels has fresh plan for wine lake

By Tim Dickson in Brussels

THE European Commission will today unveil details of a new plan to shrink the European Community's ample wine lake.

understanding not to engage in any hostile action is disturbing. Midland is not alone in believing that it is worth dumping marginally profitable corporate banking business in return for some very handsome fees income.

UK may resume export credit guarantees

By Stephen Fidler and Peter Montagnon

BRITAIN'S Export Credits Guarantee Department hopes to announce a speedy resumption of medium-term export credit cover for Brazil once that country has completed new agreements with the International Monetary Fund and Paris Club group of official creditors.

Britain is Brazil's fifth largest official creditor and bankers estimate its share of any Paris Club deal could involve debts worth in excess of \$600m.

man of the clearing banks on Sunday night and yesterday was also scheduled to see Mr Robin Leigh-Pemberton, Governor of the Bank of England, and commercial bankers whom he is trying to persuade to join a second \$250m debt re-scheduling request, which includes a request for \$5.2bn in new money.

Dukakis and Jackson embrace party unity

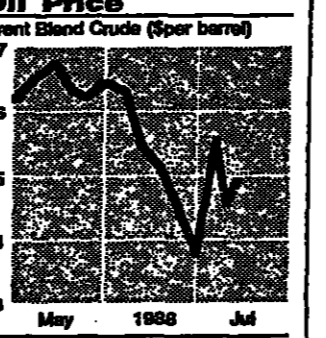
Continued from Page 1 -has accommodated Mr Jackson, the runner-up at the party's primary election.

1980 Democratic presidential ticket of Senator John Kennedy and Senator Lyndon Johnson had the Democratic Party presented the country with such a broad-based coalition, he claims.

But yesterday's show of unity has yet to be tested, Mr Jackson - who delivers a major address tonight - must convince his supporters that he has indeed won the concessions he claims.

Oil prices rise in hope of production cuts

Continued from Page 1



not thought to have had much, if any, effect on the trend of oil prices in recent years.

Britain raises interest rates

Continued from Page 1

D-mark. It believes the reductions prevented the pound from rising to unsustainable levels.

rises in interest rates since June was to achieve an dramatic slowdown in the rate of economic expansion which was unsustainable.

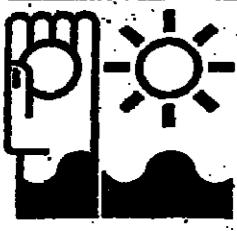
THE DISCERNING PERSON'S GUIDE TO LONDON

Advertisement for Meridien Hotel Piccadilly, featuring a cartoon of a man in a suit and text describing the hotel's quality and location.

WORLD WEATHER table with columns for location, temperature, and other weather data.

Handwritten signature or mark at the bottom of the page.

FINANCIAL TIMES SURVEY



A mood of gritty realism has replaced the optimism of earlier decades as environmentalists

confront the problems facing mankind. But the conservationists remain concerned that governments are not doing enough. John Hunt reports

Keeping up the pressure

IN HIS seminal work on the economics of ecology, *Small is Beautiful*, Dr E.F. Schumacher concluded that the way to deal with the threat to the biosphere was disarmingly simple. It was a matter of each person putting his or her own house in order. Guidance for the future could not be found in science or technology but in the traditional wisdom of mankind.

Dr Schumacher's influential book was published at the beginning of the 1970s, in the aftermath of the optimistic 1960s. Since then, the struggle to protect the environment from the effects of overproduction and development has proved an exceedingly long and difficult one that does not lend itself to simple solutions.

This mood of gritty realism was reflected over a decade later in the report of the World Commission on Environment and Development set up by the United Nations and chaired by Mrs Gro Harlem Brundtland, then Norwegian Prime Minister and a former Minister of Environment.

The commission first met in October 1984 and published its report in April last year. As an illustration of the scale of the environmental problems still

facing mankind, it published a list of the various disasters that occurred during that intervening period.

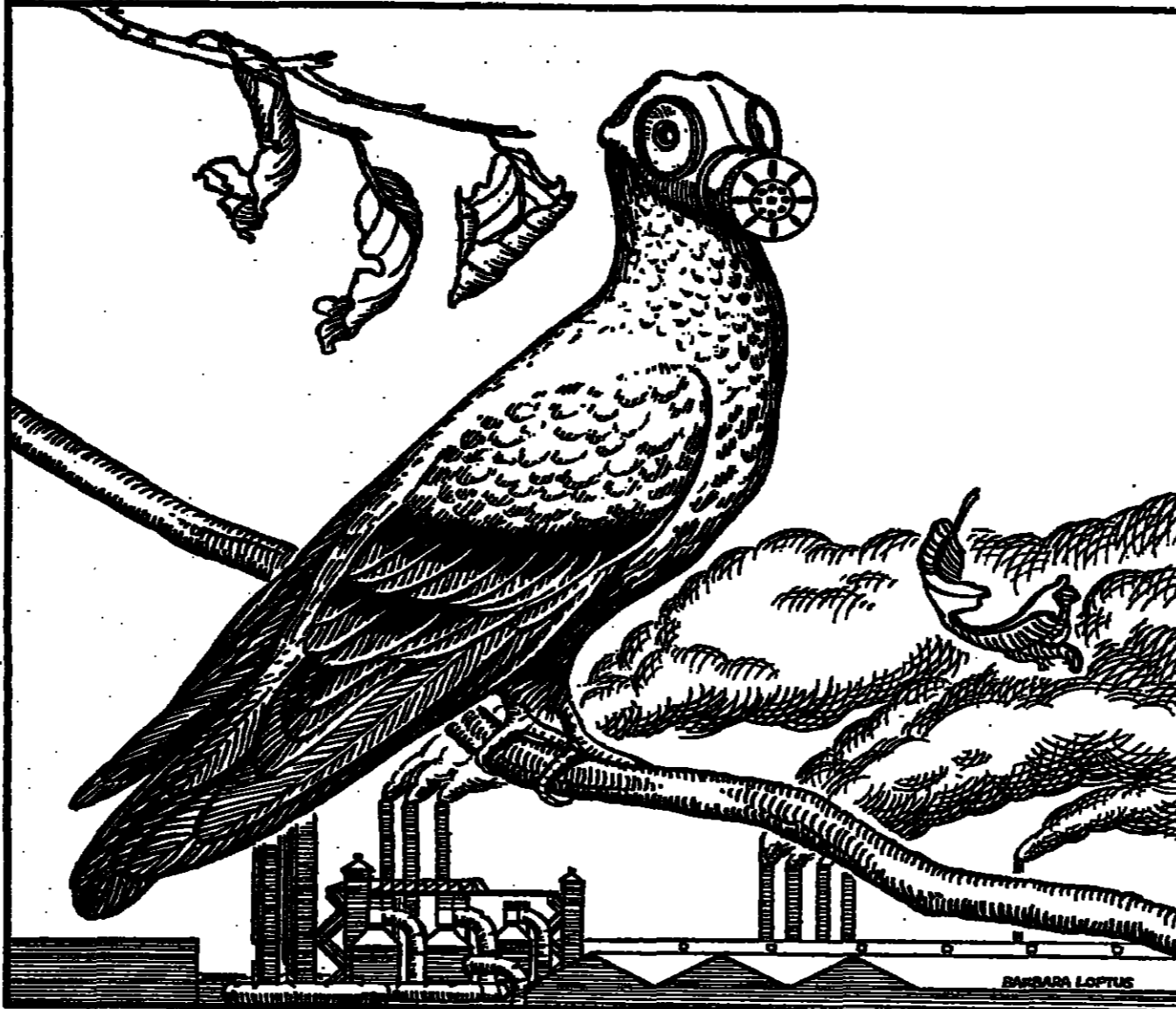
The leak from a pesticides factory in Bhopal, India, killed over 2,000 and blinded and injured over 200,000. The Chernobyl nuclear reactor explosion in the Soviet Union caused nuclear fall-out across Europe, the long-term effects of which have yet to be quantified.

A warehouse fire in Switzerland caused agricultural chemicals, solvents and mercury to flow into the Rhine, killing millions of fish and affecting drinking water.

Liquid gas tanks exploded in Mexico City, killing 1,000 and making thousands homeless. There was an environmental crisis in Africa, triggered by drought in which possibly 1m people died.

Yet despite this gloomy catalogue, progress has been made. The public is more aware of these issues and governments - some begrudgingly - are being spurred into action.

Last September there was an impressive display of international unity on the question of depletion of the ozone layer around the earth. The large-scale production of chlorofluorocarbons (CFCs) for use in aero-



Care of the Environment

sols, plastic foam and refrigerators is believed to be the main cause of the problem. About 40 nations agreed to reduce the production of CFCs in order to contain the threat which arose from the discovery of the ozone hole over Antarctica and the realisation that its thinning could lead to a dangerous increase in ultraviolet radiation.

The organisation Friends of the Earth complains that the agreement does not go far enough and wants an 85 per cent cut in consumption and production of CFCs as soon as possible.

This is a good example of how the campaigning ginger groups, which have proliferated over recent years, are keeping up the pressure on governments to make progress in these matters.

There has also been action on reducing noxious vehicle exhaust fumes, although here again action has not been fast enough for the conservationists. Control of small car emissions has been an area of difficulty, particularly with the main producers of these vehicles such as Britain, Spain,

France and Italy.

The EC also has a programme of action on the controversial question of acid rain which is believed to be caused mainly by sulphur dioxide and nitrogen oxide (Nox) in smoke emissions from coal-fired power stations.

Britain has come in for a large share of blame on this front over the damage to lakes and forests in Scandinavia and Germany. The UK Government retorts that it is already doing all that it can reasonably be expected to control this problem and points out that the

Central Electricity Board has a £1bn programme over the next 10 years to reduce these emissions drastically.

The vexed question of nuclear power continues to be the subject of intense controversy in the wake of Chernobyl and the Three Mile Island incident in the US. Ecologists argue that the reaction of the British Government to Chernobyl has been one of cynicism.

In the wake of Chernobyl, Mr Peter Walker, who was then Energy Secretary, maintained that the world would suffer an energy famine unless

other EC countries and the Scandinavian countries are signatories, controls pollution in the north-east Atlantic. This agreed to a 50 per cent reduction in the discharge of dangerous substances in the rivers with sea outlets by 1995 and to apply modern technology to cut pollution by radioactive discharges.

In addition, the declaration from the International Conference on Protection of the North Sea, held in London last year, agreed on the urgent need for drastic reductions in the flow of toxic substances into the North Sea.

Despite this, says Greenpeace, the Irish Sea remains the most radioactively contaminated sea in the world and pollution from the nuclear reprocessing plant at Sellafield, Cumbria, is still monitored off the coast of Scandinavia.

A group of organic compounds known as polychlorinated biphenyls (PCBs) which are used in industry have been recently recognised as serious pollutants. These have been identified in the Baltic and could have played a part in the recent deaths of over 350 seals in the Baltic and North Seas by reducing the animals' ability to resist infection.

In view of these developments, Greenpeace has been pressing for tougher criteria for control of marine pollution. In particular, it is keeping an eye on the British Government to make sure that there is no backsliding from its undertaking to adopt the precautionary principle - that is, to provide early warning of pollution and to intervene before it takes place.

With the accumulation of all these problems, the public is becoming more environmentally aware. A Mori poll in the UK sought to find the extent of public concern over these

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nuclear power provided 15 per cent of total energy needs by 2030. Lord Marshall, chairman of the Central Electricity Generating Board, says that without nuclear power Britain could suffer power cuts in future years. They have the formidable support of the Prime Minister. Mrs Thatcher's enthusiasm for nuclear power is well documented.

The counter-argument is that the advocates of nuclear power stations do not take sufficiently into account traditional sources of energy, new energy technology and alternative sources. Large savings could be achieved through greater emphasis on insulation and systems of combined heat and power which make use of waste heat. The environmentalists point to the large fall-off in the nuclear energy programme in the US since the Three Mile Island debacle.

A pamphlet put out by the CEBG states: "We propose using more nuclear power stations because they cost less to run and give you more electricity for your money."

The *Ecologist*, journal of the Wadebridge Ecological Centre, dismisses this as "a myth" and argues that the CEBG figures take an over-optimistic view of the cost of building the new nuclear power stations and of other imponderables in a nuclear programme.

The journal also points out that in France, where 50 per cent of electricity consumption is met by nuclear power, electricity prices tripled between 1973 and 1982 compared with Britain and the Netherlands where they doubled during the same period.

Nor is control of marine pollution tight enough, particularly in areas like the North and Irish seas, according to organisations such as Greenpeace. The Paris convention, to which Britain,

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FARM POLLUTION

Erosion threatens Europe's agricultural land

OVER THE past few years, the world has grown accustomed to butter and wheat mountains, or wine lakes - those huge surpluses which are the creation of the rich world's subsidised farming. But manure mountains?

"Slurry can be can be 100 times and silage 200 times as polluting as untreated domestic sewage," the report noted, adding that, while there were 1,500 incidents of farm pollution reported in Britain in 1979, this had risen to over 3,500 by 1986.

Holland and Denmark have introduced tough anti-pollution legislation, but controls in Britain are less stringent

The delay is at least partly due to difference between the Ministry of Agriculture, which favours a relatively lenient approach and the Department of the Environment, which would like tougher controls.

In its conclusions, the Environment Committee urged the British Ministry of Agriculture to "take a far more interventionist and regulatory approach to farm pollution" - an attitude endorsed a few weeks ago by the British Water

The Ministry of Agriculture favours a relatively lenient approach, but the Environment Department would like tougher controls

Authorities Association. The WAA reported a 76 per cent increase in prosecutions of farmers causing pollution in 1987, declaring that the worst pollution was caused by farmers who did not have adequate storage for slurry.

pollution. Chemical fertilisers like nitrates are leached from the soil to pollute rivers and streams, the "slurry" effluent from pigs and cattle, or the liquor from grass silage made for cattle feed have the same effect.

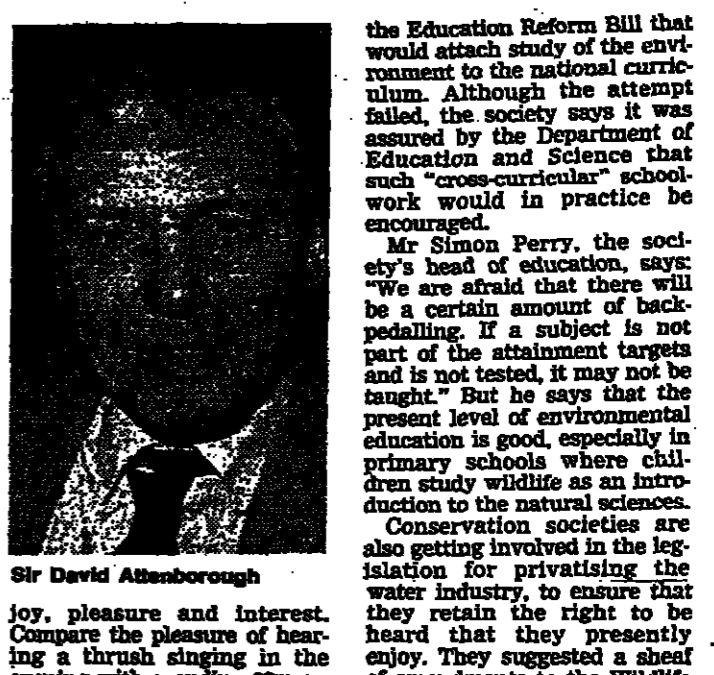


Part of the proposed Blue Water Park development on the site of Blue Circle's quarry at Stone, Kent, which will create one of the UK's largest leisure, shopping and recreational complexes

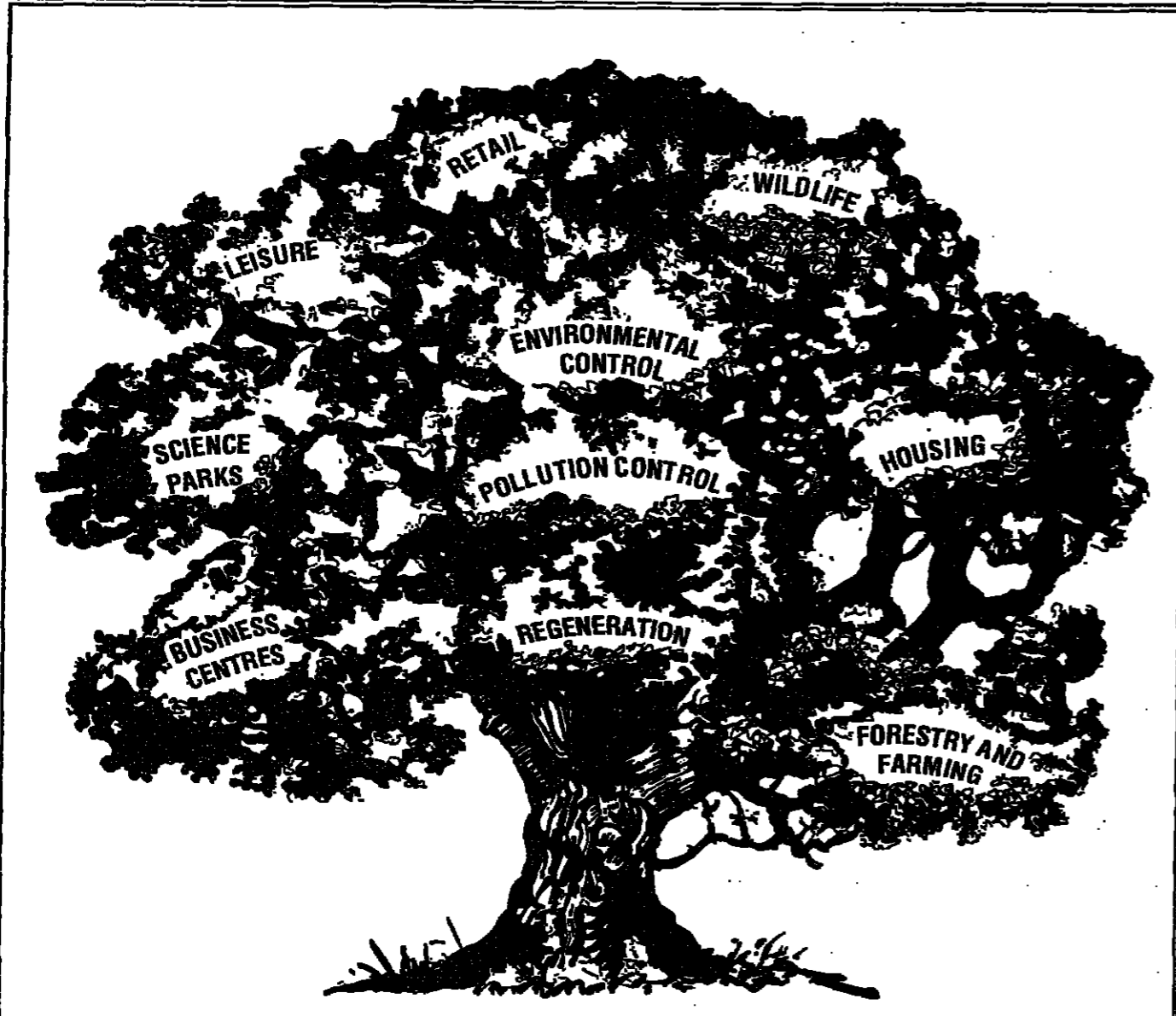
Interview with Sir David Attenborough

Our heritage of wildlife

ENVIRONMENTALISTS come in many guises. In West Germany and Japan they stage pitched battles with riot police to prevent the building of nuclear power stations and airports.



joy, pleasure and interest. Compare the pleasure of hearing a thrush singing in the evening with spending £3m on a Van Gogh canvas or going to the opera. I know which most people would choose.



Blue Circle is Branching Out!

What's the largest cement company in the UK got to do with environmental care? Surely it is more concerned with concrete jungles than verdant forests?

road to avoid a colony of rare spiders. On the anti-pollution front, Blue Circle has developed a process control system, called LINKman, that halves even the relatively small amounts of acidic gases produced in the kilns.

Blue Circle Industries PLC Portland House, Stag Place, London SW18 5BJ. Tel: 01 245 8000. Telex: 23701.

WORLD WIDE FUND Saving the tropical forests

THE CONSERVATION of tropical forests is now World Wide Fund's top priority. Home to almost half of the world's known species, they are being destroyed at an alarming rate, says WWF.

Advertisement for AIR air quality control system. Includes text: "We clean it, move it, warm it, cool it, wet it, dry it, purify it." and AAF logo. Contact info: AAF Ltd Telephone: 0678 713477 Telex: 53481 Fax: 0678 714370

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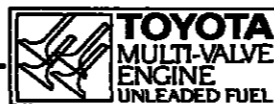
THESE EFFECTS ARE MOST OBVIOUS IN
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(THE YOUNGER THE CHILD, THE GREATER
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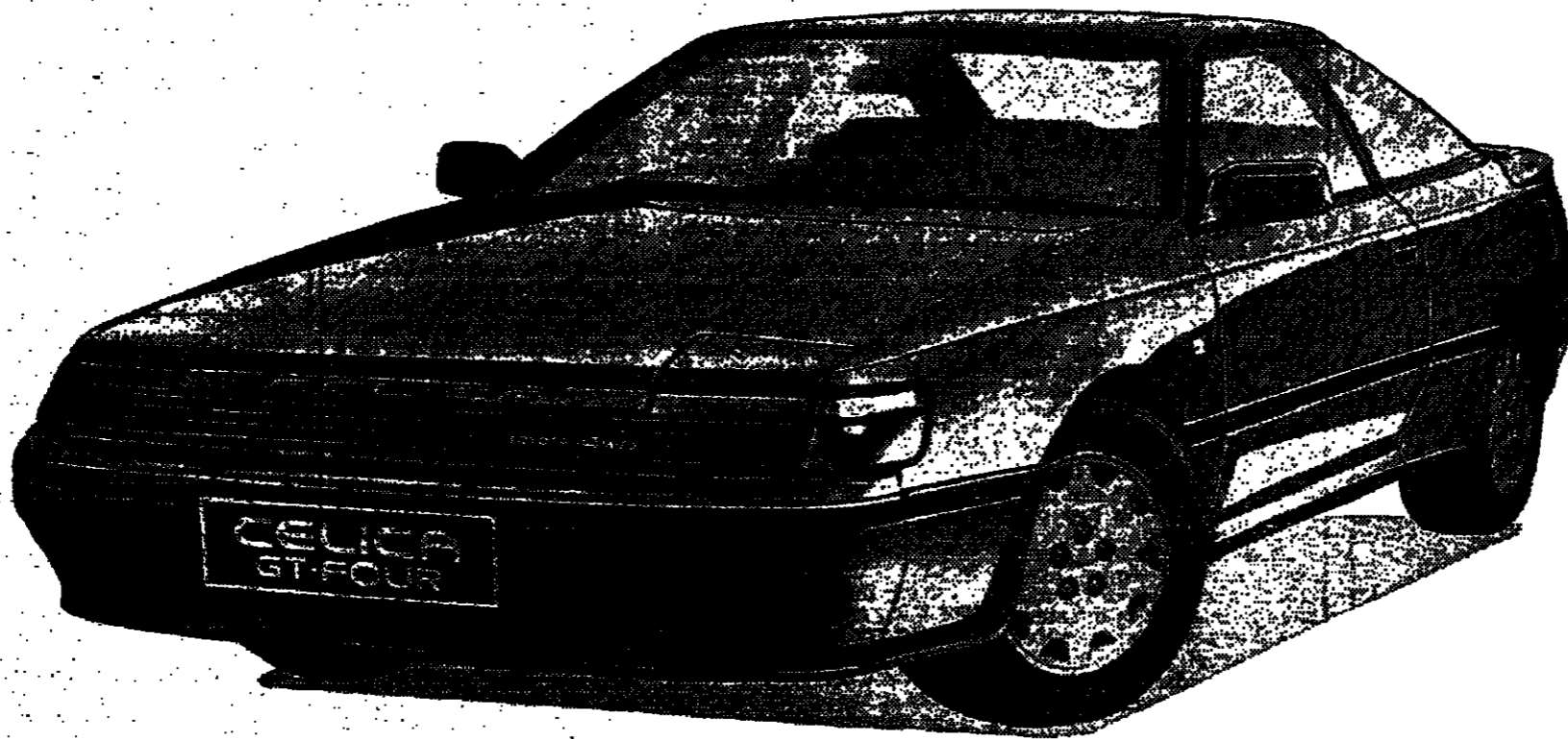
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ENVIRONMENT 7

John Elkington on the pursuit of sustainability and the greening of consumerism

Industry, from being the villain of the piece, becomes a natural partner



Aerosols destroyed

A COST-effective method of disposing of aerosol containers has been developed by Biffa Waste Services, part of the BET group. The company's aerosol destructor at Bray, near Maidenhead, in Berkshire, destroys the aerosols under controlled conditions. The destructor is Biffa's answer to the increasing concern being expressed by the public and local authorities about the way aerosol containers are deposited in landfill sites.

There is an explosion risk when old or defective aerosols are first put in the ground and crushed by a compactor vehicle - and there is a further risk when natural decomposition raises their temperature. At Biffa's aerosol destructor, the cans are fed by conveyor belt into a shredder and the residual liquid is taken away for treatment. Only the shredded cans - a fraction of the volume of the original untreated containers - are landfilled.

Incinerator to cost £20m

A £20m incinerator is to be built in the North-East of England by Ocean Environmental Management (OEM), part of Ocean Transport and Trading. With a capacity of 30,000 tonnes a year, it will be used chiefly to dispose of organic chemical wastes. Through its subsidiary, Cory Waste Management, OEM claims to operate the largest waste treatment plant in the South. More than 50,000 tonnes of waste can be handled each year, and the polymer resulting from the treatment process is landfilled at Cory's site at Mucking in Essex. However, according to Mr

Huntrey Smeeton, managing director of OEM, "increased environmental pressure on industry will result in considerably greater demand for environmentally harmless methods for the treatment and disposal of hazardous waste, as opposed to direct landfill. We expect to commit further substantial resources to meet this increased demand." Through National Environmental Testing, its US subsidiary, OEM has a network of regional laboratories offering environmental analytical and toxicological testing services. There are plans to expand in Europe "in the near future."

"Bhopal sent us back to the drawing board," says Budd Smith, appointed to the new post of vice-president for health, safety and environment at Union Carbide in the wake of the world's worst chemical disaster.

Although Union Carbide is now convinced that sabotage was to blame, Mr Smith told a major conference in Washington, DC, last month that the company had radically overhauled its environmental strategy.

The conference provided a rare opportunity to assess how far US and European Community companies have moved in pursuit of "environmental excellence."

Organised by the International Environmental Bureau, part of the International Chamber of Commerce, and the World Bank, the event also hailed the extraordinary role played by Mrs Gro Harlem Brundtland, Norway's Prime Minister, in the worldwide shift to more environmentally sustainable forms of economic development.

The scale of the challenge facing us was underscored last year by the report of the World Commission on Environment and Development, which Mrs Brundtland chaired. "Given population growth rates," the commission concluded, "a five to tenfold increase in manufacturing output will be needed just to raise developing world consumption of manufactured goods to industrialised world levels by the time population growth rates level off next century."

Once viewed as the invariable villain of the piece, industry is increasingly seen as a potential part of the solution. But Mr Smith did not underestimate the difficulties of overhauling the environmental performance of a major company. "If you don't have the support of your chairman, or if senior management isn't on board," he warned, "I'd go and find another corporation to work for."

Environmental risks - noted Mr Donald Balm of Procter & Gamble, are business risks. If you use chemicals like polychlorinated biphenyls (PCBs), which have an image almost as bad as DDT, "you

could jeopardise your ability to supply entire markets." As a result, Procter & Gamble has been moving away from PCBs much faster than the law demands.

Hazardous wastes were top of the agenda. "The best way to manage waste," stressed Mr Don McCullister of Dow Chemical, "is to avoid producing it." Once considered Public Enemy Number One by environmentalists, Dow is now justifiably proud of its "Waste Reduction Always Pays" (Wrap) programme.

The commercial benefits of such programmes can be substantial. The Pollution Preven-

tion Pays (or SP) programme operated by 3M has already saved the company an estimated \$42m.

There was no shortage of confessions at the conference, however. "We've made mistakes," admitted Mr Victor Sussman of Ford. "We try to learn from these things."

The company recently sold a vehicle assembly site in New Jersey, but later found that the soil and groundwater were extensively contaminated. Ford has since spent over \$10m on clean-up operations and Mr Sussman predicts it could end up paying more than the \$20m it got for the site.

Perhaps not surprisingly, the Americans pioneered what is called "environmental auditing." Allied-Signal began its auditing programme in 1976. "There's no punishment for having problems," explains Mr Jonathan Plant, the company's environment director. "There's punishment when problems fail to surface. Let's get the problem up in front of us so we can work on it."

Now European companies are catching up fast. "The auditor's role is not that of an environmental policeman," cautioned Mr Gottfried Eigenmann, who heads Ciba-Geigy's environmental auditing unit in Switzerland. "This isn't a hold-up, nor a head-hunting affair. We let the plants know when we will be

coming. If they resolve their problems because they know an audit is coming, that is OK with us." But the auditors are careful not to let plant managers dictate what they see. "We always ask to see the backside of the plant," he explained.

Mr William Ruckelshaus, twice administrator of the US Environmental Protection Agency and a member of the World Commission on Environment and Development, stressed that "the pursuit of sustainability is not about doing good. It's about creating wealth."

It is simply not possible for three-quarters of the world's

The expertise of the leading multinational corporations is now seen as a critical asset

population to repeat the mistakes we have made."

The expertise of the leading multinational corporations is now seen as a critical asset in the business of sustainable development. To make it available to the Third World's "plus" customers, the International Environmental Bureau acts as a non-profit conduit.

IEB, says its chairman, Mr David Roddick, USX chairman, was launched as a free market mechanism to "try to get to solutions - and to cut out a lot of the red tape." India has been the biggest user of IEB's services to date.

European companies like Shell, ICI and Bayer have also been investing heavily to improve their environmental performance. Earlier in 1988, indeed, BP became the first European company to win the World Environment Centre's gold medal.

The pressures on British business will continue to intensify, however. Toxide, for example, has just announced that it will have to spend £200m over 10 years to clean up the River Humber. The Americans may still lead the field, but this is no one-horse race.

Even financial institutions are waking up to the need for increased environmental spending. Dr Hellmuth Bergmann, the European Investment Bank's chief technical



John Elkington, managing director of SustainAbility

adviser, notes that the bank's environmental spending more than doubled to Ecu 1.6bn in 1987 - out of a total spend of Ecu 7.4bn. All project proposals are now subjected to environmental assessments and the bank is investing heavily in water and air clean-up projects.

The impending privatisation of Britain's water and electricity supply industries is forcing the City to think about such issues as sewage pollution of rivers, acid rain and even the emerging global "greenhouse effect."

The environmental industry, employing some 2m Europeans, is itself proving an increasingly attractive investment prospect - with some 9,000 companies active in pollution control alone.

New partnerships are constantly being developed. "Individual companies must be helped to develop their environmental policies and programmes," says Mr Tom Burke, director of the Green Alliance, "and to communicate what they are doing to opinion-formers and the public. Environmental training must be the norm for managers and staff, at every level, from company introduction courses to MBA programmes."

One vital area where Europe leads the pack, meanwhile, is in the greening of consumerism. The trend first emerged in countries like Switzerland and West Germany, but could spread to Britain, too.

September sees the launch of the first national Green Consumer Week, sponsored not only by campaigning groups like Friends of the Earth and the World Wide Fund for Nature, but also by businesses like Ahiza Roddick's Body Shop.

The major supermarket groups are sensitive to the potential threat. Some - including Safeway, Sainsbury, Asda and Tesco - are doing their best to appear environment-friendly. Organic produce is available and CFC-free aerosols are on display. The Co-op is switching from plastic back to recycled cardboard egg-boxes, while Tesco is introducing lead-free petrol.

In short, expect more major advertising campaigns promoting "green" products. Selling sustainability will not be the same as selling the latest washing powder, but sold it must be. The time is not too remote when we may find ourselves wondering how we ever did without it.

Managing director of SustainAbility, John Elkington is co-author of *The Green Capitalists* (Goldman, 1987), *Green Pages: the Business of Saving the World* (Routledge, 1988) and *The Shrinking Planet* (World Resources Institute, 1988).

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ENVIRONMENT 9

David Marsh looks at the need for greater international co-ordination

West Germany tightens guidelines

THE DEATHS of hundreds of seals this summer on the North and Baltic Sea coasts of West Germany, Denmark and the Netherlands have been the latest and most visible sign of the internationalisation of environmental issues.

An epidemic killing the seals and other sea-life, accompanied by large concentrations of what have been dubbed "killer algae" in coastal waters, has been linked to growing pollution of the North Sea by industry and agriculture.

In West Germany, where the environment is far closer to the top of the political agenda than in most other countries, the demise of the seals focused attention again on the need for far greater international co-ordination of anti-pollution policies.

The drama on the coast may have been less intense than the alarm signals sent around the world by Bhopal, Chernobyl and the Sandoz chemicals fire in Basle during the past few years.

But it has underlined again that the cause and effect of environmental mishaps inevitably run across international borders. Prevention and control of pollution damage is now a centrepiece of international politics.

The North Sea has already been in the public eye following the conference in London in November last year in which coastal countries undertook to cut flows into the sea of pollutants by 50 per cent in the period up to 1995.

As a result of the seals' fate, fresh publicity has now been given not only to the 11,000 tonnes of lead, 22,000 tonnes of zinc and 50 tonnes of mercury dumped in the North Sea each year. Organic substances — 1.5m tonnes of nitrogenous material and 100,000 tonnes of phosphate, from fertilisers, human and animal waste and detergents — also flow into the sea each year, most of it from the Rhine and the Elbe.

Pressure is now growing from the Federal Republic and other states for last year's agreed North Sea pollution reduction deadline to be brought forward.

But as long as the exact causes of the latest North Sea catastrophe remain unclear, the debate is likely to remain emotional and impetuous.

Mr Klaus Toepfer, the West German Environment Minister, has already been battling hard in the last few months to try to move the EC into accepting German-style guidelines on reduction of noxious emissions from cars and industrial plants.

West Germany has been in the vanguard of EC states trying to bring in uniform rules for vehicle emissions thought to be major contributors to acid rain. It also wants requirements for power stations and industry plants to reduce sulphur and nitrogen oxide emissions to "cut" by half by 1993, which add up to a far more complex political and technological challenge.

One of the challenges involves Eastern Europe. Fresh from his attempts to drive on the EC in environ-

mental matters, Mr Toepfer has now been turning his attention eastwards. He has just come back from a trip to East Germany this month in which East Berlin was encouraged with promises of technological co-operation and hard cash to reduce pollutants from power stations and industry into the air and rivers.

As West Germany tightens up its own environmental guidelines, the bid to win international harmonisation is likely to become more important. In a European Community aiming to promote free movements of goods and capital, the Federal Republic knows that it is likely to lose out in jobs and investment if industries shift operations to areas with less restrictive environmental regulations.

West Germany's sensitivity over the ecology has already been blamed for part of the large foreign investment drive by important parts of the country's industry — above all the chemicals sector — in recent years.

Especially in view of the

EC's plans to complete an integrated internal market by end-1992, the competitive disadvantages which could accrue from rigorous West German policies on air and water pollution have become a subject of political debate.

On the other hand, the flip to jobs and industrial strength from improving the environment should not be underestimated.

A total of 400,000 jobs in West Germany are now in sectors directly or indirectly connected with environmental protection. The industry's turnover in this area is estimated at DM 20bn a year.

The Bonn government — and many industrialists — believe that West Germany could lose out in the short run over its strict environmental approach. But by the end of the century, assuming that international harmonisation by then is a reality, the Federal Republic could reap great benefits by being already well ahead of its competitors in the environmental protection stakes.

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KLAUS TOEPFER is the man in the West German government faced with the strenuous task of marrying Oekologie with Oekonomie.

As Bonn's Environment Minister since May 1987, he has the difficult job of steering a middle line between the ecological sensitivities of his countrymen and the strong vested interests of West German industry — as well as the requirements posed by international co-operation.

Mr Toepfer has just had a first-hand opportunity of seeing the benefits and the limits of efforts to harmonise the EC approach on the environment. He has been in the chair of the EC's Environment Ministers' Council during Bonn's six-month stint as Community president in the first half of the year. The balance seems to have been one of modest success for West German drive to inspire other west European countries with environmental-mindedness.

A university professor born in Silesia (now part of Poland), Mr Toepfer took over when his predecessor, Mr Walter Wallmann, left to become Prime

KLAUS TOEPFER

Publicity pays off

Minister of the state of Hesse. Like Mr Wallmann, Mr Toepfer, a technocratic Christian Democrat with a liking for beer, has seldom been out of the headlines. But, unlike his predecessor, Mr Toepfer, previously Environment Minister in the state of Rhineland Palatinate, brought to the Bonn Ministry practical and academic

The Kalkar imbroglio

experience in environmental matters.

The Minister is often accused by ecologists of lacking the political clout to make an impact on the cabinet. But his organisational talents and professional grasp of the subject matter have stood him in good stead over the last turbulent year.

Mr Toepfer, who will be 50 at the end of this month, earned the nickname "Katastrophen-Klaus" during his period of office in the Rhineland Palatinate. This reflected his practice of demonstrating ministerial zeal by paying lightning visits, with a TV camera team in tow, to ecological damage spots ranging from streams with dead fish to forests suffering from acid rain.

The Minister admits he faces criticism for turning such trips into publicity stunts. But he also says that people would be complaining if he did not take the chance to see such damage for himself. Mr Toepfer has been much photographed lately with dead baby seals on the north German coast following this summer's outbreak of "killer algae" in the North Sea.

This has been the latest in a series of mishaps keeping the environment a burning domestic issue. Mr Wallmann was brought into the government to calm West Germans' fears after the Chernobyl nuclear disaster, and had to face a barrage of controversy over the effects of the Sandoz chemicals fire in Basle in November 1986.

Mr Toepfer has had to cope on the other hand with the fall-out of the Transnuclear nuclear scandal at the beginning of the year, centring on unauthorised transfers of radioactive nuclear waste. He has played a big part in pushing through government direc-

tives to force industry to lower use of chloro-fluorocarbons blamed for thinning the earth's protective ozone layer.

The Minister has been at loggerheads with the tobacco industry over the health effects of smoking. He has grappled with soft drinks manufacturers and supermarket chains over plastic throwaway bottles.

And he has found himself pitted against Mr Ignaz Kischke, the Bavarian Agriculture Minister, over the issue of excess fertiliser use by German farmers — one of the factors behind pollution in the River Elbe and the seals' demise in the North Sea.

Mr Toepfer's latest battle is over the virtually completed West German fast breeder reactor prototype at Kalkar on the Lower Rhine.

The Minister is no unrestrained supporter of nuclear energy. Like many German politicians on both right and left, he believes in working towards an ideal future where renewable energy resources would obviate the need for nuclear power.

None the less, as the minister in charge of nuclear safety, Mr Toepfer is in the thick of legalistic jousting with the state government of North Rhine Westphalia over forcing the state to complete the nuclear authorisation procedure for the Kalkar plant.

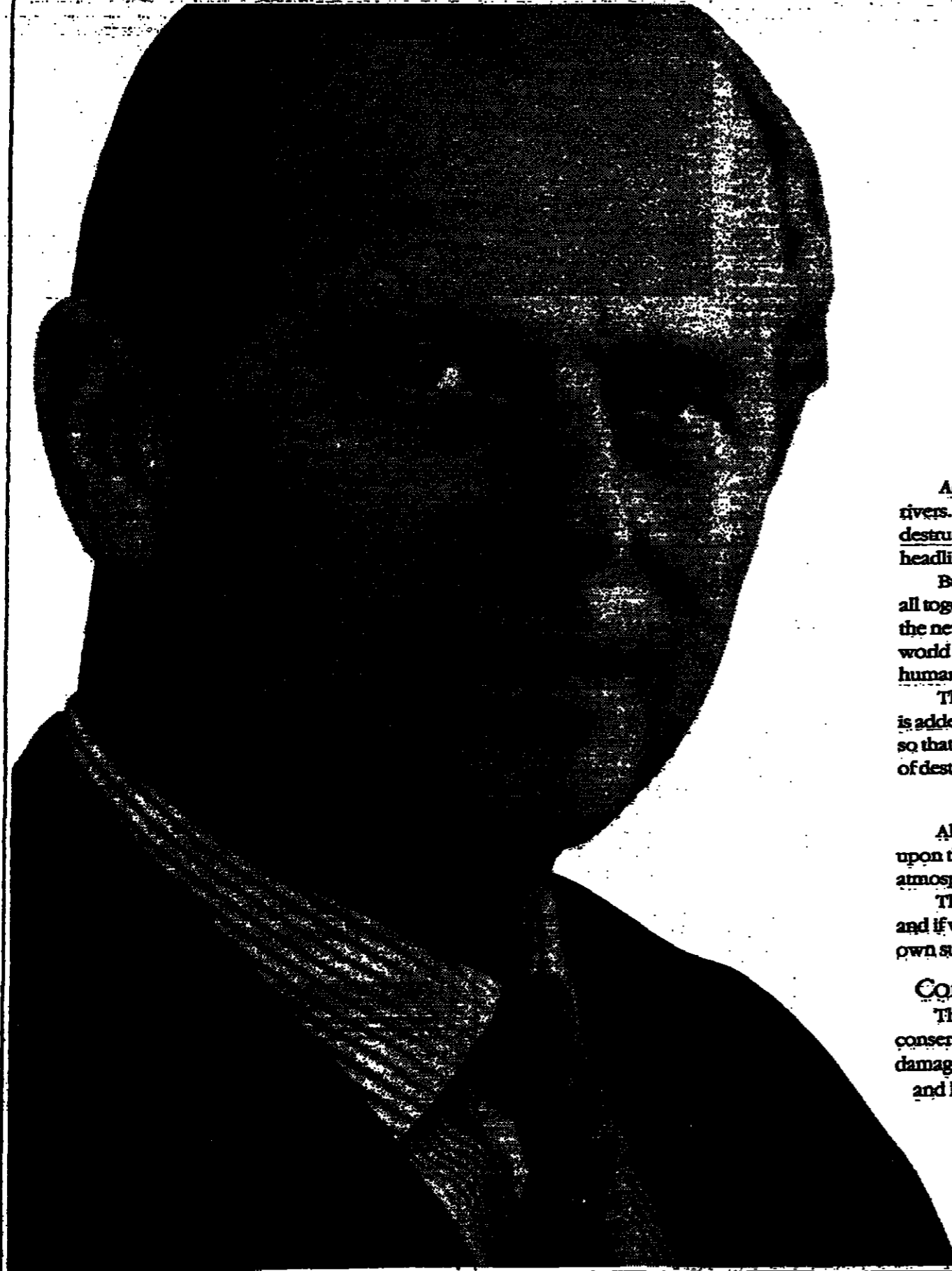
The Kalkar imbroglio is just one of the themes which will keep Mr Toepfer in the public eye. He faces a further test if he is put forward, as seems possible, by the Christian Democrats to fight the 1990 state elections for the right in the state of the Saarland, at present run by the Social Democratic Party.

If he runs in the Saar, heavily sensitised to environmental issues (above all over the nearby French nuclear power complex at Cattenom) Mr Toepfer's ministerial profile will bring him advantages as well as drawbacks. In the heated West German ecological debate, he stands frequently accused of offering no more than prophylactic remedies. But, especially on the issues of international co-operation over nuclear safety or the North Sea, no-one knows better than Mr Toepfer that the environment provides more problems than solutions.

David Marsh



More 50 water pickers in Tours, France, last month. Supplies to 200,000 homes were cut when the River Loire was polluted after a blaze at a chemical factory



"Look after this planet, it's the only one we have"

A personal message from HRH The Duke of Edinburgh, WWF International President.

Acid rain. The pollution of soils, lakes and rivers. The imminent extinction of species. The destruction of tropical forests. All these have been headline news for many years.

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ENVIRONMENT 10

Peter Marsh looks at how companies are helping to control pollution

Waste disposal can be big business

EQUIPMENT FOR controlling pollution adds up to a growth industry throughout much of the developed world. But it is a business extremely difficult to define and one where relatively few companies have achieved the necessary economies of scale to turn themselves into major commercial players.

A typical example of a small company trying to lever its way into the environmental-control business is Oceanfix, based near Aberdeen. It is working with Ersac, which is in Livingston, near Edinburgh, on the sensor techniques needed to monitor waste dumps to spot whether they are producing potentially harmful methane gas.

It is believed that Britain alone contains perhaps 10,000 dumps filled with standard

refuse from residences and factories where the waste may slowly be decomposing to produce methane, a gas which under some circumstances can explode.

A big problem is in first determining the sites of these dumps - many of which have been built up over the past two centuries and which may not be hidden under building developments - and then finding out which ones are potentially dangerous.

Oceanfix is working with Ersac on methods using infra-

red monitoring sensors to spot heat emerging from such dumps that may indicate emission of methane. If the work, which uses ground-based sensing equipment, is successful, then Dr Colin Stove, Ersac's technical director, believes it may be possible to mount versions of the sensors on space satellites to scan large areas quickly and effectively.

Dr Tony Ellis, a scientist at Birmingham-based Clayton Boslock Hill & Rigby, a consultancy specialising in environmental matters, says the man-

agement and treatment of waste-disposal sites is likely to be a large area of opportunity for companies interested in applying technology to pollution problems.

Getting rid of hazardous or simply unpleasant rubbish from such sites can be achieved in a variety of ways. These encompass digging up the refuse and transporting it elsewhere (which is at best a temporary solution); enclosing the rubbish *in situ* with concrete or plastic; or neutralising it in other ways such as by

treating it with certain kinds of bacteria or heating it with high-energy, infra-red radiation.

Among the companies in the UK which are trying to sell biological methods of dealing with waste sites are Biotreatment of Cardiff and Slough-based Land Restoration Systems. The biological products division of Imperial Chemical Industries is also exploring this approach.

Many of the companies selling anti-pollution hardware are linked to the chemicals industry, which is itself a big customer of environmental control systems.

method of disposing of solid wastes that should keep to the minimum the problems of dangerous chemicals leaking into soil through rainwater.

The system is based on filling up gradually a dump lined with a multi-layer arrangement of plastic sheeting, with water and liquid chemicals being drained away for collection by a series of pipes. Concentrations of hazardous substances building up in the dump are

between this year and 2005.

Britain's Central Electricity Generating Board has already announced a £10m programme to fit equipment - known as scrubbers - to power stations, so as to remove sulphur dioxide from flue gases. It is likely to have to spend more as a result of the new rules on emissions.

Companies most likely to benefit from the tighter sulphur dioxide regulations include

are another important source of air pollution. UK companies involved in work on such burners include International Combustion, a subsidiary of Northern Engineering Industries (NEI).

Other areas of business involved in pollution control are interacting increasingly with the car industry. As a result of new and tighter laws over air pollution, car companies are attempting to reduce the levels of harmful gases such as nitrogen oxides emitted through exhausts, using such means as electronic ignition systems and catalytic converters.

It is estimated that the West European car industry will need to spend as much as £70m over the next few years on equipment for fitting anti-pollution equipment, together with associated research.

The greater public emphasis on monitoring pollution should also lead to booming business over the next few years for contract laboratories and manufacturers of analysis equipment such as spectrometers and gas-chromatographs.

For all the growing interest in the pollution control industry, some commentators believe that more could be done to lend focus to the business and make it a more powerful force.

Mr Marek Meyer, editor of Environmental Data Services, a specialist journal, says that, especially in Britain, the industry has not organised itself sufficiently well to turn itself into a strong lobby for pushing for initiatives in environmental policy.

Greater emphasis on monitoring pollution should lead to more business for laboratories and manufacturers of analysis equipment

monitored, using electronic sensors.

The electricity generation industry is another big user of pollution control systems. This aspect of environmental protection has been in the headlines recently as a result of a European Community accord designed to reduce the amount of sulphur dioxide emitted by power stations, a measure aimed to cut acid rain pollution.

Under the plan, agreed in June, emissions of sulphur dioxide from power stations and other heavy industrial plant will be cut by 60 per cent from 1980 levels in three stages

makers of scrubber equipment which spray powdered lime stone into the emitted gases, in the process turning sulphur dioxide into calcium sulphate - such as Mitsubishi of Japan, General Electric of the US, West Germany's Lurgi, Flakt of Sweden and Britain's Davy Corporation.

A related area is the fitting of special burners to industrial boilers and power stations which reduce the amount of nitrogen oxides formed in combustion processes required to heat up water and form steam. Nitrogen oxides which form in this way and make their way into the atmosphere



Smoke control legislation has done much to transform Britain's inner cities. Sheffield, soon after the Second World War (above), has in recent years enjoyed some of the cleanest air of Europe's big cities



Western Europe's chemical companies spend some \$4bn a year on environmental control measures, many of these linked with the need to reduce pollution from emissions into the air and rivers as well as with the requirement to deal adequately with solid waste.

Many chemical companies have been in the forefront of new methods of incineration. Areas investigated have included ideas to reduce the volume of solid waste that these concerns dispose of and also to minimise the noxious fumes emitted during the incineration process.

BASt, the big German chemicals company, has joined forces with Bilfinger and Berger, a German civil engineering business, to develop a new

Dividends from planet protection

"MANY INVESTORS are causing, albeit unwillingly, serious damage to our planet by investing in companies that are harming the environment."

From a unit trust management, that is fighting talk. But in some respects, Merlin Ecology Fund is a strange bird. Set up in April, it invests worldwide in companies that are either directly engaged in pollution control or which demonstrate a positive commitment

to the long-term protection and wise use of the natural environment.

The managers, who also took over the long-established Merit International Growth Fund last July, argue that such companies will play an increasingly important part in industry, while they will prove to be rewarding investments.

The members of Merlin Ecology Fund's advisory committee are John Elkington, co-author

of *The Green Capitalist*; Robin Grove-White, former Director of the Council for the Protection of Rural England and Nigel Haigh, author of *ERC Environmental Policy in Britain*.

And if that were not green enough, not less than 10 per cent of the initial fees will - after recoupment of launch expenses - be devoted to funding a research unit to advise



Slurry used to produce animal feed

COMPROSTEIN has developed a technology to produce high nitrogen content compost and yeast-based animal feed from pig, poultry and/or human slurry, thereby eliminating the pollution associated with the disposal of such waste completely.

The company enters into 50:50 joint ventures throughout the world on the basis that it develops the technology, while the local partner puts up the financial and management resources.

Recently, the company began construction of a plant in Italy, in partnership with Mignini, a local pig feed producer, to produce animal feed and compost from pig slurry.

In the UK, Comprostein, which is based at Calne, Wilts, disposes of pig slurry, which is separated into liquids and solids. After chemical treatment the liquid is used as a feedstock for growing a type of yeast that is high in quality protein. It is then harvested, blended with glucose and starch to produce a pig Creep feed which is sold to pig farmers at a competitive price.

The solids are used as a feedstock by a strain of earthworm, which converts them to compost. When the solids are harvested, the worms are separated out and graded. The compost can then be sold as an organic fertiliser.

Comprostein says no harmful bacterium or virus in the slurry can survive its process and consequently no disease can be carried over either in the compost or in the animal feeds. And its animal feed products have been tested for safety, while five consecutive generations of rats have tested its slurry care cans with a high degree of safety - without any ill-effects.

Rightfooted at last

SOME TIME after phasing out CFC propellants from its aerosol range, Daseco has labelled its shoe care cans with a blind symbol stating: "No CFCs caring for the environment."

SAFETY training is given high priority at all 16 branches of EDIs and Everard Chemicals, which claims to be Britain's largest chemical distributor.

In a recent exercise (above), a simulated road transport accident involving chemical cargo was mounted at the local depot to provide specialist training facilities for the Nottinghamshire Fire Brigade.

"TO SUSTAIN INDUSTRIAL DEVELOPMENT... WE HAVE TO RADICALLY CHANGE ITS QUALITY."

(The Brundtland Report, World Commission on Environment and Development, April 1987).

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FRIENDS OF THE EARTH

Keeping up pressure

Continued from Page 1

issues. Not surprisingly, it discovered that immediate worries over unemployment, inflation and law and order took precedence. But levels of concern rose dramatically when people were asked questions linking environmental problems to their daily lives.

Some 49 per cent believed there was a risk of using up the world's resources and 58 per cent said they would support an increase of a penny in the pound on income tax to pay for effective measures to reduce the waste of resources.

Nevertheless, the report on the UK response to the declaration on World Conservation Strategy could still say: "The gravity of this crisis is heightened by the fact that so many people remain unaware of it."

It points out that in addition to the global ecosystem humanity had now created a separate autonomous and artificial system - the technosphere. Over recent decades the demands of the technosphere on resources have risen to a level which could not be long sustained without exhausting vital supplies and inflicting irreversible damage on the planet.

The report highlights the conflict between people's expectation of continual economic growth and the need to preserve a liveable environment. It was significant that economic growth was still

given high priority in responses to the Mori survey.

On the economic front the conservationists are in a catch 22 situation. In times of recession the demands of the environment take a back seat as an unaffordable luxury. In times of boom the pressures of business and industrial expansion tend to put an unacceptable strain on the environment.

The conservationists complain of "resource blind" economists and accountants and point out that there are massive costs in pushing nature beyond sustainable natural yields and then relying on man-made technology to redress the balance.

An accountant, for example, would probably value a forest as marketable timber. But how do you value its worth in stabilising the soil that would otherwise become a dust bowl, or its role as a natural habitat for animal life or in maintaining the balance of the global atmosphere?

So despite official optimism at government level, the conservationists are not reassured. As Mr Peter Taylor, an environmental consultant to Greenpeace, put it in a recent report: "What should have been a decade of continuing environmental improvement has been a decade of near catastrophe in terms of terrestrial and atmospheric pollution, and may well yet turn out to be just that."

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INSIDE Siemens signals car electronics expansion

Karlheinz Keake, chairman of Siemens, has led the West German group's expansion into the fast-growing car electronics market with the purchase of a majority stake in Bendix Electronics of Detroit.

Young Turks in hot pursuit

The youthful management of Konutbank, formed through the merger of two Turkish state banks earlier this year, has taken an aggressive stance on bad debt. It is now in hot pursuit of a Turkish businessman for allegedly making off with \$90m in loans and has taken out extradition proceedings in Switzerland against him.

Bankers at loggerheads over North Korea's debt

A repugnant and dangerous precedent or a realistic compromise? A plan to restructure much of North Korea's \$900m of outstanding loans has divided the Western banking community. Critics say it will reward a troublesome debtor for long-standing delinquency.

SA gold shares lose their lustre

A threat of further US disinvestment from South African gold shares is making them less attractive to other international investors. Some analysts talk of "crises" and "fire sales" and, in the longer term, a fundamental restructuring of the gold mining industry as costs escalate.

Hawke moves to halt Australian coal disruption

Australia's coal export industry is being severely disrupted by a series of miners' strikes over working hours. Coal prices are low and companies have had to declare force majeure on deliveries. Tomorrow Mr Bob Hawke, the Prime Minister, will try to unscramble the mess.

Ploughshares and golf clubs

It is now time to beat ploughshares into golf clubs, according to Sir Geoffrey Howe, UK Foreign Secretary, as a way to cure the ills of subsidised farming. Farm diversification continues to attract publicity in Britain and continental Europe, but the landscape is littered with failed attempts to boost farming incomes, argues David Richardson.

Market Statistics table with columns for Base lending rates, European options, FT-A indices, FT world indices, FT int bond service, Financial futures, Foreign exchanges, London recent issues.

Companies in this section

Table listing companies like AGF Research, APT, Alcoa, Algoma Steel, Apple, Ashby Industrial, Atlantic Computer, Babco Holdings, Banco Santander, Bank of Ireland, Bell Group, Bond Corporation, CBE, Canadian Pacific, Chase Manhattan, Company of Designers, Drexel, Dee Corporation, Dotsaco, General Motors, Hongkong and Shanghai Bank, IFFL, Italcarta.

Chief price changes yesterday

Table showing price changes for various commodities and currencies like Francium (Dow), Paris (Ftse), New York (Dj), Tokyo (Nippon), London (Financial Times).

Schindler buys elevator side of Westinghouse

By Nick Garnett in London and William Dullforce in Geneva

SCHINDLER, the world's second largest elevator maker, has agreed to purchase the lift manufacturing interests of Westinghouse Electric of the US in the most significant restructuring in the elevator industry for many years.

RHM sacks Midland in retaliation for backing Goodman

By Nikki Tait

RANKS Hovis McDougall, the British foods group which is expected to be the subject of a £1.5bn hostile bid this week from Sydney-based Goodman Fielder Wattle, is severing all banking links with Midland Bank.

Wereldhave bids for Peachey

By Nikki Tait

A £265m bid battle broke out yesterday between Peachey Property Corporation, the UK property company and owner of Canary Street, London, and Wereldhave, the second largest Dutch property group.



Selling the stuff that dreams are made of

James Buchan in New York looks at the enigmatic Kirk Kerkorian in the wake of his latest MGM deal

There is a seamless quality to the Kerkorian story, wrote Fortune magazine in November, 1968. "As a youngster, he bought and sold used cars; after the war, he bought and sold airplanes; in middle age he buys and sells companies," it said.

He stranded himself in Madrid by selling his jet to Adnan Khashoggi on the tarmac

Mr Kerkorian tends to look beyond earnings to the assets behind them. After gaining control for \$84m, he sold off much of MGM, including such memorabilia as July Garland's slippers from the Wizard of Oz, cut the film schedule to one or two movies a year and used the famous roaring lion to attract gamblers to a vast casino in Las Vegas, the MGM Grand.

Porsche to close domestic dealers

By Our Financial Staff

PORSCHE, the West German sports car group, plans to shed more than half of its 207 domestic dealers in the next five years and break with the Volkswagen/Audi dealership network, the company said yesterday.

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Fears of tighter monetary policies dampen activity

By Dominique Jackson

FEARS OF further tightening of monetary policy in both West Germany and the US, compounded by a rise in UK base lending rates, made for a day of thin and nervous activity in the Eurobond market...

INTERNATIONAL BONDS

Losses although most still ended around a point down. Last week's DM400m 6 per cent seven-year issue for Nippon Telegraph & Telephone...

England signalled a 1/4 point rise in base rates to 10 1/2 per cent, the sixth such tightening move since early June...

Banks at odds over North Korean deal

Seldom has a restructuring created such acrimony, writes Stephen Fidler

This is a story of a controversial debt restructuring with a country which for long has existed on the very edge of political and financial acceptability: North Korea.

Morgan Polton, an older bespectacled figure, presenting a softer image for ANZ. By all accounts, negotiating with the North Koreans is not the simplest of tasks.

which signed the loan agreement, appears to have suffered in an internal power struggle in North Korea and has become virtually moribund.

bow ties. Described by one banker as an "unguided missile", he is a man with the ear of one or more influential individuals in Pyongyang.

In its syndicate presented an alternative proposal, calling for a renewal of negotiations with the Koreans based on its suggestions that the deal could be renegotiated over 17 years.

Malaysia raises broker limit

By Wong Sulong in Kuala Lumpur

FOREIGN stockbrokers are to be allowed to increase their equity stakes in Malaysian stockbroking firms to 49 per cent from the current level of 30 per cent.

balisation. We cannot afford to lag behind," Dr Mahathir told a conference of Asian stock exchanges in Kuala Lumpur.

emerged stronger and more resilient after the crisis surrounding the collapse of Pan-Electric Industries in late 1985 and the world market crash last year.

Morgan Grenfell

which has not been used against a Latin American country for example, despite the payments difficulties they have encountered since 1982.

prospect of a claim under English law (against the Republic) presently appear slim. However, it was felt there was a chance that claims against another North Korean bank, the Korea Daesong Bank - the "Gold Star Bank" - could be successful.

deal he worked on something less than a decade ago, succeeded. It was in the subsequent talks early this year between Halcrow's team and the North Koreans that the extraordinary proposal emerged which has set bank against bank.

There is a clear majority against the settlement now among the banks. French banks have thrown their weight against the settlement, en masse, but their objection is not based on principle.

Officials at ANZ argue that all this opposition should be enough to make Grenfell pull back, but Mr Halcrow and Mr McAskill are determined to go ahead. If the Koreans concur, and that should become clear in weeks, then the two syndicates will split.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Country, Issue, Maturity, Yield, and Price. Includes sections for US Dollar, Yen Straight, and Sterling Straight.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday 18 July 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise.

Large table with columns for Country, Exchange Rate, and other financial indicators for various global currencies.

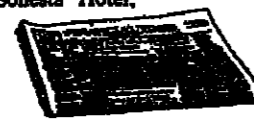
Abbreviations: (a) Free rate; (b) Baseline rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Business rate; (j) Buying rate; (k) Lenny goods; (l) Market rate; (m) British rate; (n) Convertible rate; (o) Parallel rate; (p) Selling rate; (q) Tourist rate.

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INTERNATIONAL COMPANY NEWS

Young Turks take over the helm

Jim Bodgener in Ankara looks at the sweeping changes at a leading Turkish bank

EXTRADITION proceedings have been taken out in Switzerland by Turkish Emlak Bankasi (Konutbank), Turkey's third largest bank, against Mr Kemal Horzum, a Turkish businessman, for making off with \$80m of loans allegedly contracted illegally.

Mr Horzum was arrested recently and will return to Turkey to face a jail sentence if his lawyers cannot successfully appeal on the grounds that he is a political refugee.

The proceedings are an example of the aggressive attitude now taken towards bad debtors by the new young management of Konutbank (literally, "housing bank"), formed through the merger of two state banks, Anadolu Bankasi and Emlak Kredi Bankasi, earlier this year.

The short shrift given to non-performing portfolios is part of a wider programme by Prime Minister Turgut Ozal's Government to reform Turkey's creaking state banking sector and its legacy of bad debts from a profligate past.

In many aspects, Mr Horzum himself is representative of the bad, old ways. From origins as a lowly bureaucrat, he became a small businessman in Ankara and formed useful connections with the old school of politicians and bureaucrats, relationships on which he thrived.

Then from 1983-1985 in a series of illegal transactions through promissory notes, letters of credit, and guarantee notes he transferred around \$80m of Emlak Kredi Bankasi's resources to a Swiss bank account, before the authorities latched on to him.

By then, however, the money had been flushed away into other accounts, although

senior Konutbank executives have nothing but praise for the Swiss authorities' co-operation in the investigation.

The branch manager and assistant manager of the branch involved in Ankara's Kizilay district have been charged in court with fraud and fraudulent misappropriation. Ex-general managers of Emlak Kredi Bankasi have been charged with negligence during employment.

"The state will go after these guys and get them," says Mr Engin Civan, Konutbank's executive vice-president. "The younger generation like ourselves is determined."

Mr Bulent Semiler, Konutbank's chairman and still in his early thirties, was one of the first of overseas-trained managers - mainly in the US and dubbed the "Young Turks" - to be appointed by Mr Ozal's reforming administration to bring about the required transformation in the state banking sector.

"It's like a huge trans-Atlantic liner trying to change direction," Mr Semiler said earlier this month.

He denied that the merger early this year of Anadolu Bankasi - whose bad debts were legion in Turkish banking circles - and the more profitable Emlak Kredi Bankasi was a rescue operation for the former. In 1986, when Mr Semiler took over at Anadolu, there was a TL30bn (\$21bn) net loss, but last year it made TL25.7bn in profits.

Accounts audited according to Turkish law by Price Waterhouse show the combined banks to have had assets totalling \$3.5bn at the end of 1987. The combined banks' net income totalled \$81.2m, of which \$83.5m was attributable to Emlak Kredi Bankasi. Anadolu made loan loss provisions totalling \$16.3m, compared with \$1.65m by Emlak Kredi.

The merger was necessary as part of the restructuring of the state banking sector, said Mr Semiler. Anadolu used to be mainly a foreign exchange operation, whereas Emlak Kredi was mostly a mortgage bank. But the two were compatible through their property interests.

More mergers would follow among the 12 other state banks - the optimum number being about four state banks in all at the end of the process, said Mr Semiler.

As part of the overhaul, Turkish Emlak Bankasi has hired post-merger management consultants McKinsey to prepare a new European corporate image. Then, in the autumn, Emlak may absorb more banks, said Mr Semiler. This would give Emlak the market profile it needs in international operations in view of the steadily depreciating Turkish lira.

It would also mean Emlak shouldering their non-performing loans, he admitted. However, in September the Government is expected to introduce legislation reversing advantages enjoyed at present by bad debtors in Turkish law. It will include jail sentences for perjury.

Part of the transformation for Konutbank will be a new, modern European image, said Mr Semiler. The first step has been the relaunch of its Paris office early in July.

"We are looking to buy banks in Europe, period," said Mr Semiler at the relaunch. The bank has had a representative office in Paris for around eight years, in a former guise as Anadolu Bankasi, one of the two banks merged.

"It was a shambles," says Mr Semiler. "Bats everywhere, a bad neighbourhood. We have to look decent, and concentrate on a new business strategy." The representative office is now housed at 82 Boulevard Haussmann, in Paris' central banking district.

Like other former Anadolu offices overseas, the Paris office's main activity used to be routinely processing remittances by Turkish expatriate workers. Now the emphasis will shift to proper banking, said Mr Semiler.

The representative office will be used as a bridgehead to study the French banking scene and start a dialogue with institutions like Coface, the French export credit agency. This will enable Turkish Emlak Bankasi to decide how it needs to prepare for a single Europe in 1992.

From the Paris office, the bank will be able to select candidates for equity investment or outright purchase - it was already in the process of approaching candidates in France, the UK and Germany, said Mr Semiler.

Emlak had already made substantial progress in shifting the emphasis to foreign exchange transactions, its share of Turkey's foreign exchange market rising from 0.5 per cent to 2 per cent in the first six months of 1988.

As part of its new overseas drive, Emlak is also trying to establish a representative office in Tripoli, Libya, primarily to mediate between Libyan state banks and Turkish contractors. It would be the first foreign bank to be allowed to do so - the Libyan authorities seemed to be favourable, said an Emlak official.

Nissan to build second car model in US

By Kevin Done in Detroit

NISSAN, the second largest Japanese automotive group, is planning to build a second car model in the US and is also considering building engines.

The car would be made at the company's existing assembly plant at Smyrna, Tennessee. Mr Kazutoshi Hagiwara, president of Nissan Motor in the US, said yesterday. The plant currently builds

pick-ups and a small car, the Sentra, but Mr Hagiwara said the company was planning to add a new lower-medium or upper-medium car.

Capacity at the Smyrna plant is rated at some 255,000 units a year, and Mr Hagiwara said this could be raised to around 300,000 vehicles before the company would need to build a second plant.

Output runs at some 200,000 vehicles a year, of which around three-quarters are pick-ups, but Nissan plans to raise this to 240,000 in the 1989-90 model year. Local content is at around 60 per cent and should rise to 70 per cent in 1990.

Mr Hagiwara said that Nissan Research and Development was currently developing full

engineering capabilities in the US so that the company could "create and manufacture an all-American vehicle by 1992." He said that no decisions had been made on a type of vehicle or on a production location.

Nissan's planned luxury car franchise, Infiniti, is to be launched in the US in the last quarter of 1989 through a new 75-strong dealer network.

Resistance in France, Page 1

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For further details contact David Farren at Colford, Bury St. Edmunds, Suffolk IP28 6UE, on 0284 848898 or the Administrator, Tim Harris, at Deloitte Haskins & Sells, P.O. Box 207, 128 Queen Victoria Street, London EC4P 4JX on 01-236 6500, Telex 894941, Fax 01-248 3623.

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UK COMPANY NEWS

Smith & Wesson makes maiden contribution of \$16.1m Growth continues as acquisitions and organic expansion lift Tomkins to £47m

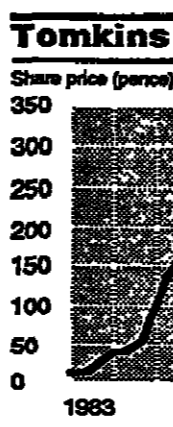
By Ray Bashford

TOMKINS, UK industrial holding company, boosted pre-tax profits 56 per cent from £30.1m to £47.1m during the year to April 30 as organic growth continued and Smith & Wesson, US handgun maker, made its first annual contribution.

The directors expect current year turnover to exceed \$900m as results from Murray Ohio Manufacturing enter the accounts, and existing operations expand. Murray, Tennessee-based manufacturer of lawnmowers and bicycles, last month accepted a \$234m (£135m) takeover bid from Tomkins.



Greg Hutchings, company's worth is under-rated.



Tomkins, for the first time, disclosed annual figures on organic profit growth. Taking out contributions from Smith & Wesson and Beaver Equipment, a manufacturer of cylinder grass cutting machinery

that he considered that the stockmarket was still underrating the company's worth. The shares closed yesterday 3p down at 239p. With the inclusion of Smith & Wesson, the professional and consumer products division boosted its trading profit from £3.2m to £11.9m on turnover up from £22.2m to £91.6m.

DTI clears Shield of insider dealing

By David Waller

No insider dealing prosecutions will arise out of the Department of Trade and Industry's investigation into the Shield Group, the small residential property developer said yesterday.

Shield's statement ended months of uncertainty for investors in the Hampstead-based company which owns Stickle & Kent, North London estate agents.

The company said it was ready to turn its back on the episode, but took the opportunity to complain that the investigation "had a disproportionate effect on the group's relationship with shareholders, share price and dealings with the press and public."

In February this year the DTI took the unusual step of disclosing that inspectors had been appointed last November to investigate possible contraventions of the Company Securities (Insider Dealing) Act 1985. The DTI said that the investigation was limited to dealings in the shares of Shield between December 1 1986, and March 20 1987.

Shield's shares had been trading at 160p in early March, rising to 240p before the announcement of the Heron involvement, which prompted a further 25p rise to 265p. Later in the month they surged to a peak of 380p before falling back sharply in the Crash. News of the investigation pushed them down 10p to 85p; yesterday, they edged up 2p to 89p.

The DTI never disclosed the precise parameters of its investigation. Shield yesterday repeated its earlier assertion that none of its directors had been involved in insider dealing. "It is hoped that shareholders will benefit from the restoration of the Group's credibility," the statement continued. "Whilst the inquiry related to share dealings in the company's shares and not to any dealings or transactions by the company itself, there was an immense which carried over wrongly to the Board."

Yesterday's statement from Shield was sanctioned by the DTI, which said yesterday that it is investigating 15 other insider dealing cases, only three of which have been made public.

Atlantic Computer halted on bid talks

By Philip Coggan

ATLANTIC COMPUTER, the last independent quoted computer leasing company in the UK, said yesterday that it was in the advanced stage of discussions which might lead to an agreed bid for its equity.

Its shares were suspended yesterday at 264p, valuing the group at £317m. An announcement is expected today on the terms of the offer, and some analysts expect to value the group at as much as £5 per share.

GEC owns 40 per cent of Atlantic's finance and property subsidiary, Summit and some analysts were speculating yesterday that GEC could be the bidder. However, GEC had no comment on the rumours.

Just two years ago, there were five quoted companies in the UK computer leasing sector - Atlantic Computer, Datacube, IBI, and United Leasing. But a series of poor results sapped confidence in the sector and focused attention on the industry's accounting practices. The City became concerned that companies were being over-optimistic about how much residual value their computers would have when the leases expired.

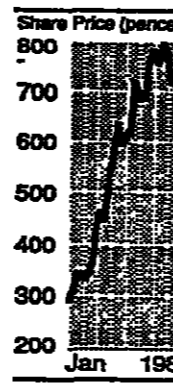
As confidence in the sector declined, it became more and more difficult for leasing companies to raise finance. Rationalisation of the sector became inevitable. In a wave of take-overs, Datacube was acquired by Bell South, US telecomm-

unications group; IBI and United Leasing by the Swiss group Inspectorate; and Datacube was bought by Atlantic itself last year.

Atlantic has managed an unblemished record of profits growth since it joined the stock market in 1983. However, its last annual results, showing a 37 per cent jump in pre-tax profits of £22.2m, disappointed the market and analysts marked down their forecasts for this year's profits from £50m to £45m. The shares have also been depressed since the death of Mr John Foulston, the group's founder, in a motor racing accident last September.

USF & G Corporation, US insurance group is acquiring

Atlantic Computers



Mega-leasing, unquoted UK computer leasing company See Lex

Dee sells Spanish grocer for £30m

By Nikki Tait

DEE CORPORATION, grocery group which includes the Gatehouse supermarket chain, is selling DIGSA, its Spanish subsidiary, to Ashley Industrial Trust for a net £30m in cash.

Mr Tony Butler, previously director for planning and business development at Dee and also chairman of DIGSA, has resigned from the Dee board to become chief executive of Ashley at present a near-shell company.

Also joining the board in a non-executive capacity is Mr James White, chairman of Bunzl.

DIGSA - Distribuciones Gimenez y Compania SA - has about 150 retail food stores, some 10 cash and carry branches and a delivery trade business to some 450 franchised shops and independent retailers in the Aragon, Catalonia and Madrid regions.

It became part of the Dee group in the late-seventies, and in 1986/7 made trading profits of £3.3m on sales of £181m.

Dee, however, had already made clear that it was seeking to sell DIGSA. When it announced the disposal of the Linford cash and carry business to Booker earlier this month, it reaffirmed that negotiations were underway over the Spanish operations.

Yesterday, Mr Alec Monk, chairman and chief executive, said that Ashley's offer had been the best one in shape and speed and also the highest.

The £30m sale price was seen

by analysts as good for Dee. The market, however, was well aware of the transaction and yesterday Dee shares were steady at 184p.

Mr Butler declined to spell out the future strategy for Ashley except to say that further board appointments and acquisitions were planned.

He stressed that funding, comprising debt and equity, for the DIGSA deal was in place.

He added that he had wanted to leave Dee for about two years.

Ashley has been headed since April by Mr Robert Newman, who previously helped turn "The Times" Veneer, wood products company, also little more than a shell, into Ema Group.

in cash, a small but profitable plywood subsidiary, and a battery business. The last is likely to be sold to management.

Mr Newman has resigned from the board and Dunster Investments, which gave him and certain family trusts a 29.9 per cent equity interest in Ashley, has reduced its stake by about one-third, selling to the incoming directors.

It may reduce further under the financing package. Mr Butler now owns 20 per cent of the equity and Mr White, 5 per cent. "I shall be looking for a new vehicle," suggested Mr Newman yesterday.

Ashley shares were suspended at 91p earlier this month.

Optim makes debut on USM valued at £7.2m

By Clare Pearson

DEALINGS START today in shares of Optim Group, the computer systems supplier, which has joined the USM via a placing valuing it at £7.15m.

Optim's services are termed in the industry "turnkey", which means it takes full responsibility for installation of hardware, design and implementation of software, training and maintenance. Its 1,500 customers comprise hotels, retailers, and local authorities.

Continental Securities (UK) has placed 4m shares at 60p each, representing 34 per cent of the enlarged capital. No shares have been sold by existing shareholders.

Optim has forecast pre-tax profits of not less than £500,000 on turnover of about £10m for the year to October 31. In its last financial year it made £342,000 pre-tax on £7.98m turnover.

The present management, headed by ex-American footballer Mr Michael Brennan, was brought in after the company fell into loss to the tune of £1.83m in 1984. Since then, Optim has moved out of the general purpose computer market, and made six acquisitions.

BET acquisition

BET, acquisitive international support services group, has paid £10m for Pritchard Security, UK staff-security guarding operation of ADT - formerly Hawley Group. The cost will be settled by the issue of 4.3m fully-paid shares.

Mr Nicholas Willis, chief executive, said the purchase put BET into the top ten security guarding operations in the UK and took them into the top five in security as a whole.

Sonic Tape joins Third Market and raises £0.6m

By Clare Pearson

SONIC TAPE, the sound measuring systems company which last year produced its first profit since 1982, has joined the Third Market. At the same time it has raised £588,697 by means of a rights issue to enable it to buy Systems Connections, an ink-jet printer distributor.

In the first day of Third Market dealings yesterday, Sonic Tape's shares fell to a 1 1/4p discount to the 15p rights issue price. The fall was attributed to selling pressure from existing investors. The company had joined the new virtually defunct over-the-counter market in 1983.

The 3.78m shares being issued by way of a one-for-four rights issue represent 20 per cent of the enlarged share capital. About 68 per cent of them will be used to acquire Systems Connections.

Sonic Tape's present management was introduced in August 1986 after its total loss for the previous four years had reached £2.19m. It is forecasting a £110,000 pre-tax profit for the year to the end of this month, having achieved a £5,000 profit on 2619,000 turnover last time.

TT leaps to £1m

TT Group, formerly Tyzack Turner, increased pre-tax profits to £1.63m (£356,000) in the six months to July 2. Turnover rose to £7.8m from £7.04m.

A higher tax charge of £264,000 (£4,000) limited the advance in earnings per share to 47 per cent, from 5.5p to 8.7p. The interim dividend is doubled to 2p.

Queensway horse for Sir Phil if Gulliver's bid succeeds

By Maggie Urry

SIR PHIL HARRIS will have the right to buy a horse from Harris Queensway, the furniture and carpet retailer which he bought, if the agreed £450m offer for the group from Lowndes, a new company chaired by Mr James Gulliver, goes through.

The horse, called Queensway Countryman, is leased to Sir Phil's friend, Mr David Broome, the showjumper, and is expected to compete in the Olympic Games this autumn. It will continue to carry the Queensway name for the rest of its jumping life.

According to Lowndes' offer document, posted to shareholders yesterday, Sir Phil will pay the market value for the horse. He will also be able to buy his company car at its cost to the company; to employ Mr Gordon Caldwell, Harris Queensway's showjumper, and up to three secretaries from Harris Queensway; and to negotiate terms to occupy space at the head office.

Two of his boardroom colleagues, Mr Tony Shanagher, finance director, and Mr Kingsley Eikon, assistant managing director, will receive payments of £150,000 and £85,000 respectively. Each will be able to buy his company car for £1.

If the 190p-a-share offer goes through, Mr Gulliver's company, James Gulliver Associates, will receive a fee of £250,000 each year, plus an additional fee from Lowndes, in return for Mr Gulliver's services for at least half his time for the first two years and 30 per cent of his time thereafter.

Mr Eddie Dayan, who will become group managing director of Lowndes if the bid succeeds, will be paid £250,000 a year, plus a bonus, and will have a three-year contract. In the offer document Mr Gulliver says he is confident that Harris Queensway "can be transformed again into an exciting and dynamic retailer."

Sir Phil is leaving to head Questway, a new company, which will buy Harris Queensway's 75 per cent stake in Harvey's, a soft furnishings retailer, conditional on the bid going through. The price is £18m. Harvey's net assets are worth £3.9m and it made a trading profit of £489,000 in the 38 weeks to January 25.

Separately, Harris Queensway announced the resignation of Keith Beane, personnel director. He will receive a compensation payment of an undisclosed amount.

Parkfield purchase

Parkfield Group, the fast-growing mini-conglomerate, has augmented its already significant interest in the wheel industry by paying £3.9m in cash for GBI International's wheel manufacturing subsidiary, Steel Stampings.

Steel Stampings has about 10 per cent of the European truck and trailer wheel market, and about 20 per cent of the world off-highway vehicle wheel market. Last year, it produced pre-tax profits of £299,000 on turnover of £19.4m. At March 31, it had net assets of £2.1m.

Carless expands

Carless, Capel & Leonard, cash-rich independent oil company, has expanded its downstream activities by buying Pentagon Chemical, private chemical producer, for £18m.

The acquisition - the group's largest this year - will comprise £8.6m cash and the issue of 1.1m fully paid shares. Carless has been awash with cash since the disposal in April of its minority stake in Calor's oil and gas subsidiary, Century Power & Light, yielded £52m.

Tony Ryan takes a 5% holding in Bank of Ireland

By Kieran Cooks, Dublin Correspondent

MR TONY RYAN, Tipperary farmer and chief executive of GPA Group, the world's largest aircraft leasing company based at Shannon in the Irish Republic, has been revealed as the mystery buyer of a large block of shares in Bank of Ireland, one of the Republic's two principal clearing banks.



Tony Ryan: the investment made in a personal capacity.

Mr Ryan announced yesterday that he had bought 5 per cent of the issued capital stock of Bank of Ireland, an investment of £30m (£20.5m) based on current market prices.

Mr Ryan emphasised that the investment was made in a personal capacity and not on behalf of GPA. He said the share purchase was based on his conviction of the growing soundness of the Irish economy.

"I have for some time been considering a strategic investment based on Ireland's developing financial services industry. The acquisition of a significant shareholding in Bank of Ireland represents a sound investment of undoubted quality and growth potential," said Mr Ryan.

Bank of Ireland's after tax profits for the year ended March 31 were £68.7m, up 23 per cent on the previous year. Earlier this year Bank of Ireland announced its intention to purchase First New Hampshire Bank in the US for \$370m (£228m). The deal is by far the largest purchase ever attempted by an Irish bank.

Bank of Ireland is currently valued at £720m. In a statement yesterday the Bank said Mr Ryan's purchase reflected confidence in Bank of Ireland's strength and the soundness of its development strategy.

Mr Ryan was the co-founder of GPA in 1975. The group now has a portfolio of 115 aircraft valued at more than \$2bn.

Midland swap deal nearing completion

By Richard Waters

MIDLAND BANK and Hongkong and Shanghai Banking Corporation are close to completing the exchange of parts of their overseas operations announced last November.

As part of the deal, Midland has bought HongkongBank's Concord Leasing (UK) for £14.25m and will merge the company with its own finance subsidiary, Forward Trust.

The moves follow HongkongBank's purchase last year of a 14.9 per cent stake in Midland, widely seen as the prelude to a possible full merger.

A change of plan, though, will leave HongkongBank with its UK branches, which originally were to be absorbed into Midland. This was because branches served specific groups, like the Chinese community in the UK, and so would benefit from retaining their independence, said Midland.

The mergers announced yesterday were:

London-based export credit and project finance operations merged under the new name Midland Global Trade Services.

HongkongBank has taken over Midland's Seoul and Singapore branches and its merchant banking operations in Singapore and Hong Kong.

Midland's West German investment bank, Trinaus & Burkhardt, has opened a branch in Hamburg to absorb HongkongBank's business in the City.

Of mergers still to take place, HongkongBank's branches in eight European cities are to be closed and their business transferred to new or existing Midland branches, or sold.

The process will leave both banks paying about the same, said Midland. It will also result in a number of redundancies to prevent duplication or, in the case of new branches being set up by Midland, because the same level of business will be handled by fewer staff.

Leisuretime falls halfway

By Clare Pearson

LEISURETIME International yesterday reported pre-tax losses of £1.56m in the six months to April 30, compared with losses of £887,000 last time.

Turnover was down at £2.51m (£2.59m). Against a £350,000 charge last time, there was no provision for taxation. The loss per 10p share was 9.7p (loss 10.5p) and there is no interim dividend.

This year's first half saw the Jivraj family buy control from the Aitken family and then set about reorganising the company as a hotels and nursing homes concern.

Shareholders had attempted to block the sale to BET of Worldwide Dryers, the loss-making warm-air hand-dryer business which was Leisuretime's dominant activity, and were defeated.

The Jivrajs took a 29.6 per cent stake in Leisuretime and injected their Country Care nursing homes two months ago.

The sale of Worldwide Dryers gave rise to an extraordinary credit of \$4.45m in the interim results. But its operations up to its sale at the start of January contributed a loss of £209,000 to the pre-tax figure.

Gandalf clarification

By Philip Coggan

GANDALF TECHNOLOGIES, the Canadian computer systems group, yesterday clarified certain statements at the request of the Takeover Panel.

The statements had been made in a recent bid circular to shareholders of CASE, the UK data communications company for which Gandalf is bidding \$85m.

Three of the clarifications involved printing entire paragraphs - rather than selected extracts - from circulars sent by CASE and by James Capel. Gandalf also clarified the basis for graphs printed in a section entitled "CASE has got its facts wrong".

Figures used for Gandalf's turnover and profit were calculated by annualising the results for the first nine months of the year.

There were also two corrections to statements that Gandalf made in the circular. Having said:

"CASE's existing products, such as the 860 Beeline and the new X.25 do not comply with these fundamental standards", Gandalf said the sentence should have read "CASE's existing products, the 860, Beeline and the new X.25 are not compatible with the concepts of ISDN".

The other correction involves CASE's systems division. Gandalf said that CASE expected the division to represent only 10 per cent of turnover in 3 years.

However, CASE had made that statement about its local area network division, not its systems division.

Southern Water unveils statutory company stakes

By Andrew Hill

A SECOND water authority has bought shares in statutory water companies working within its region.

Yesterday's announcement by Southern Water raises the possibility of public authorities building stakes in the 29 companies to counter the influence of private-sector investors, such as the French water suppliers.

Using nominee shareholders, Southern has, over a period of months, built up a 10.82 per cent stake in West Kent Water Company, and stakes of just under 10 per cent in Eastbourne Waterworks Company and Mid-Sussex Water Company. At the end of March, the market value of the investments was £487,000.

Statutory water companies supply water under agency agreements with the 10 much larger authorities, which could be privatised as early as autumn 1989.

Southern would neither confirm nor deny that it used its shares last October to block a merger between West Kent and East Surrey Water Company, which is outside Southern's area of supply.

The merger proposal was put to West Kent's shareholders at an extraordinary meeting, but failed to get the required 75 per cent of votes in favour because at the last minute votes attached to a 15 per cent stake held by Cantrade nominees were cast against the proposal. Southern said it did hold

shares in West Kent at the time, and had opposed the merger through statutory channels which allow such proposals to be referred to a public inquiry.

The scale of the stake-building surprised the companies, who believed such use of public money had to be authorised by Mr Nicholas Ridley, the Environment Secretary. He has said only the courts can decide whether water authorities can invest in statutory companies.

Southern said it did not want to see the companies disappear. It had acted following the 1986 Monopolies and Mergers Commission report on the region, which said added efficiencies could be gained if Southern had full responsibility

for the area's water supply. Mr David Gadbury, head of planning, said Southern wanted a closer working relationship with the companies, but was afraid any joint plans might be jeopardised by dramatic changes in ownership of the companies' shares.

"We felt we needed to have some way of influencing future events," he added.

Meanwhile, in the light of reports that it plans to take over the three statutory companies in its region, Northumbrian Water Authority has said it would only seek a merger with their agreement.

Last month Northumbrian acquired what it described as "nominal" shareholdings in

two companies - Newcastle and Gateshead and Sunderland and South Shields - both of which are challenging the authority's power to buy the shares by not registering the holdings. Northumbrian has also considered buying shares in Hartlepool Water Company.

Major French water suppliers - heavily involved in stake-building and bidding for statutory water companies - have no declared interests in Mid-Sussex, West Kent or Eastbourne, but the Associated Insurance Pension Fund, headed by Mr Duncan Saville, an Australian businessman, holds 17.2 per cent of Mid-Sussex and 20 per cent of West Kent.

DIVIDENDS ANNOUNCED

Table with columns: Current payment, Date of payment, Corridor, Total for period, Total last year

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock. ‡Unquoted stock. †Third market.

BOARD MEETINGS

Table with columns: Company, Date

UK COMPANY NEWS

Whitecroft raises £34m by selling builders' merchants

By David Waller
WHITECROFT, an industrial holdings group with interests ranging from specialist textiles to lighting, is selling its builders' merchants arm to Needwood Holdings, a private company, for £34m cash.

AGB shares suspended as talks with MAI progress

By Philip Rawstorne
SHARES IN AGB Research, Britain's largest market research company, were suspended yesterday as the company negotiated plans for its future with MAI, the money-broking and advertising group.

street-owned AC Nielsen, during the past year.
AGB, which is headed by Sir Bernard Andley, who is also a member of the MAI board, declined to expand yesterday on its announcement that it was in "advanced negotiations" which would have "a material effect on the nature and scope of the company's business."

stake in AGB, was preparing to play a much bigger role in AGB's business.
One possibility understood to be under discussion is for MAI to inject its US market research division, Mediemark Research, into AGB in return for a much increased stake and management control.

DRG sells its paper sacks outfit for £14m

By Maggie Urry
DRG, stationary, packaging, office and print supplies group, is selling its paper sacks business for £14m in cash to Koranas, a Swedish paper company.
The assets being sold are valued at less than £5m. The business, which has about 20 per cent of the UK paper sacks market, made pre-tax profits of about £500,000 in 1987, on sales of £25m. The sacks are used as packaging, of, for example, tea, potatoes, beet and milk powder.

Babygro takes £4.3m bid from Robt Lowe as losses top £1.7m

By Alice Rawstorne
BABYGRO HOLDINGS, the troubled baby and children's wear manufacturer, has agreed to a £4.3m share exchange bid from the Robert Lowe leisurewear group. This is little more than a third of its value when it went public a year ago.
The Babygro share price slumped by 25p to 40p on the bid announcement yesterday and the disclosure of pre-tax losses of £1.7m in the first half, compared with profits of £400,000. The losses reflect problems of surplus capacity since last autumn when children's wear sales became sluggish and imports escalated.

a generic term for the all-in-one baby suits that bear its name, was founded in the early 1980s in a disused school house in a Scottish mining village.
It expanded rapidly until the early 1980s when, like many other clothing companies, it fell into losses. It returned to profit after a management buy-out in 1985 and was capitalised at £11.6m when it went public last summer.
Babygro has invested heavily in new capacity, opening two new factories in recent years. But the combination of sluggish sales and increasing imports since last autumn have dampened demand from its retail customers.
It has since suffered from rising stocks, under-utilised plant and rising costs. Sales rose to £9.3m (£8.7m) in the six months to May 1, but a trading loss of £1.5m (profit £60,000) at the end of last month. Babygro closed one of its factories in the Irish Republic, with the loss of 175 jobs. Mr Eric Peacock, chairman, said the board had decided the company's future would be more secure within a larger group.
Lowe, advised by Rickitt Mitchell, is offering three of its new shares - up by 1p to 194p yesterday - for every 14 Babygro shares.
Together the two companies will have combined sales of about £45m and a workforce of 2,500. Mr Hill said the new group will be able to offer better resources to the retail multiples - two fifths of its sales will go to Marks and Spencer and Storehouse - and that it should benefit from improved purchasing power.
He said that Babygro will be restored to profit by a combination of improved financial controls and capacity cuts. It is likely that one of the two companies' ten factories will be closed.

Pension side boosts Sun Life

By Eric Short, Pensions Correspondent

BUOYANT PENSION business provided much of the new business growth for Sun Life Group in the first half of this year, which overall saw new annual premiums up by a fifth from £31.5m to £38.1m.
However, single premium business dropped nearly one-half from £390m to £215m.
New annual premiums from company pension business climbed 40 per cent from £3.4m to £4.8m, all this coming from group money purchase schemes - this latter business, reflecting the effect of the Government's pension changes. Single premium payments almost doubled from £5.8m to £11.1m.
The group is currently processing a considerable number of company money purchase schemes which, on completion, will produce over £10m of new regular premiums.
Sun Life also participated in the pre-July sales boom of self-employed pension contracts, before these were replaced by the new style personal pensions.
New annual premiums rose by half from £2.7m to £4.1m, though single premiums declined over the period from £19.7m to £18.7m.
The group also experienced a decline in individual pensions business for directors and executives, with new annual premiums down from £12m to £11.1m and single premiums dropping from £46.4m to £36.6m.

Regular premium life business was also buoyant over the half-year, rising by a third from £8.4m to £11.1m.
However, single premium life business and unit trust sales declined dramatically in the first half of 1988.
Linked-life bond sales were slashed from £292.9m to £38.4m, though the figures for last year were boosted by the record £221.2m sales of the group's Anniversary Bond.
The group's unit trust sales, in common with the general trend in the industry, suffered from the effects of last October's stock market crash on investor confidence. Sales totalled just £35.5m against £126.6m in the first half of 1987.

Mr Moger Woolley, chief executive, said DRG was selling the operation because the market had been declining for some years. DRG's future in packaging lay in growth areas, he said.
In recent months DRG has spent more than £1m both reorganising its paper sacks business onto one site in Northfleet, Kent and reducing the workforce to 400. Both will be completed by the time the deal goes through in early September.
Koranas, which has two other paper sacks businesses in the UK utilising paper it makes in Sweden, will see the benefit of DRG's work in significant cost savings. DRG's sacks business uses about 25,000 tonnes of paper each year, and, Mr Woolley said, it made more sense for the operation to be owned by a paper maker.
Mr Woolley said the proceeds of the sale would be put towards DRG's £50m-plus capital expenditure programme and acquisitions.
He also confirmed that the Kuwait Investment Office had sold 4m DRG shares, reducing its 10 per cent stake to just over 6 per cent. He said he did not know who had bought the shares, and that DRG had not been notified of any new 5 per cent stakeholder.

First purchase by Designers

By Andrew Hill

COMPANY OF DESIGNERS is extending its range of disciplines and geographical coverage with the purchase of Sibley Robinson, Cambridge-based consulting engineer, for a maximum of 54m in shares. It is the group's first acquisition since coming to the USM in October.
There is an initial payment of £1.81m with further payments dependent on profits up to September 1989. Some 2.03m new ordinary shares will be issued to fund the acquisition, of which 1.31m, a little more than 10 per cent of the enlarged share capital, will be retained by the vendor, the balance being placed with institutional investors.
Company of Designers, which grew from a linked federation of architectural practices, has been seeking to broaden its geographical base and design repertoire.

SHARE STAKES

Changes in the following company share stakes have been announced:
Moorgate Investment Trust - Bylock Investments has purchased 2.83m shares (20.69 per cent).
General Consolidated Investment Trust - Bylock Investments has purchased 4.05m capital shares (22.36 per cent) increasing its holding in the capital shares to 22.98 per cent.
Bredon - Evered has acquired 300,000 shares representing 2.13 per cent and now controls 8.32 per cent.
Chamberlain and Hill - Greene and Co Discretionary Unit Fund holds 806,000 shares (22.8 per cent).
Linread - Anochrome Holdings has acquired 175,000 shares taking its total holding to 1.21m (10.57 per cent).
Hornby Group - Charterhall holds 725,000 shares (9 per cent).
Cainford Engineering - Markheath Securities is interested in 1.34m shares. Following companies have a notifiable interest in these shares, representing 7.05 per cent - Adstream Finance and Investment, David Jones, David Jones (Australia), David Jones Finance and Investment, Sidney Cooke, Sidney Cooke Investment and Adelaide Steamship (UK).



Tom Weatherly, chairman of Whitecroft

flow could be found on the manufacturing side of the building products market.
Whitecroft already makes specialist doors and uPVC windows, and has recently moved into textured coatings for home improvement with the £5.4m acquisition of Wellcote.
The aim is to use the divestment proceeds to expand in these and other building products markets, although acquisitions and investment in the group's other activities have not been ruled out.
Shares in Whitecroft, one of the first companies to fight off a bid from Hanson Trust (in 1976), added 7p to close at 309p yesterday.

Mixed first half for L and M

By Eric Short

A MIXED pattern of new business in the first six months of 1988 was reported by London and Manchester Group, Exeter-based insurance company.
New annual premiums rose nearly 60 per cent from £12.24m to £19.23m, most of the growth coming from pension sales. But single premium business, suffering from the aftermath of Black Monday, declined by more than one-third from £38.28m to £24.04m.

The growth in new annual premium business was achieved across all three operating divisions of the group.
In the life broker division, new annual premiums rose 45 per cent to £7.1m, much of this increase coming from buoyant sales of self-employed pension contracts. However, single premium business declined by a third to £11.1m.
New annual premiums from ordinary branch business in the home service division dou-

bled to £3.5m, but new annual premiums in the industrial branch were static at £3.2m.
Spectacular progress was achieved in the pensions division following the implementation of the Government's radical pension changes.
Sales of the relaunched flexible group money purchase scheme, COMPASS, led the pensions sales boom which saw new annual premiums more than double to £5.4m.

Jarvis Porter

Jarvis Porter, label and packaging printer, is acquiring Brookside Design, a supplier of backing cards for skin and blister packaging, for £2.15m in cash.

Norsk Hydro a.s. (A Norwegian Company) Global Offering of Rights to Subscribe for 17,116,164 Ordinary Shares. Subscription Price NOK 150 Per Share. Rights to Subscribe for 6,386,494 Ordinary Shares and 2,000,000 Ordinary Shares. List of underwriters including Goldman Sachs International Corp., SBCI Swiss Bank Corporation, etc.

July 19 1988

Whitecroft takes £34m by selling builders' merchants

deal action

COMMODITIES AND AGRICULTURE

Hawke in crisis meeting on coal exports

By Gerard McCloskey in London and John Van Os in Sydney

MR BOB HAWKE, the Australian prime minister, is due to sit down with a crisis meeting tomorrow with Mr Nick Greiner and Mr Brian Austin, the New South Wales and Queensland premiers, to try to unscramble the mess into which the country's coal export industry has sunk.

Two national miners' strikes have stopped all coal production in three of the last four weeks and the industry faces the prospect of more disruption over the weeks ahead.

Even if the next few weeks pass without further disruption it will be months before new coal purchases from Australia will be easy to come by.

Tin stocks run-down on schedule - ATPC

By Wong Sulong in Kuala Lumpur

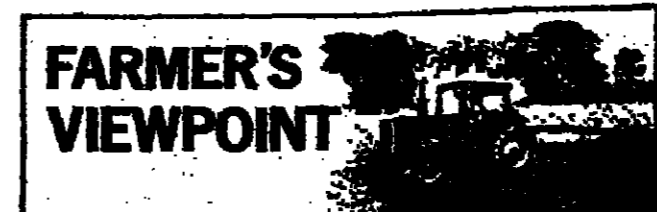
THE ASSOCIATION of Tin Producing Countries has said that exports by its seven members are within quotas of its supply rationalisation scheme, and the world's tin overhang, which stood at 47,000 tonnes last April, should be depleted within the anticipated 2-year time frame.

The ATPC executive committee, which ended a meeting here last Friday, expects the tin price to be between 19 and 20 ringgit a kilogram in the latter part of this year. The big worry is that as these prices rise, exports could be tempted to exceed the 26,500 tonnes it had promised to abide by. Brazil and China are not members of the ATPC, although they have observer status.

'Beating ploughshares into golf clubs'

Sir Geoffrey Howe, Britain's Foreign Secretary and a fervent supporter of freer trade in agriculture, declared last week that one of the ways to cure the world of the ills of subsidised farming was to "start beating ploughshares into golf clubs".

Speaking of the negotiations aimed at a revised General Agreement on Tariffs and Trade in Geneva, he urged all advanced countries to discover ways of promoting the health of their rural communities which did not depend on the artificially-protected production of food surpluses.



FARMER'S VIEWPOINT

Announcing details of the new grants, Mr John MacGregor, the Minister of Agriculture, suggested the types of enterprise which would be eligible. They ranged from off-farm processing of produce to pick-your-own; from craft work to catering. Like Sir Geoffrey, Mr MacGregor appears to be convinced that these kinds of non-conventional farm activities will help the fall in farm incomes.

Indeed a couple of months ago Mr MacGregor claimed that off-farm income made up 40 per cent of UK farmers' total returns. The National Farmers' Union responded by pointing out that less than half of this came from other trades or earnings and that much came from pensions and investments.

MacGregor urges action on set-asides

By Bridget Bloom

BRITAIN, West Germany and the Netherlands are the only countries formally to have met the European Community's deadline for introducing national voluntary set-asides to take land out of agricultural production.

The so-called set-aside schemes are designed particularly to take marginal cereal land out of production and thus help reduce both the EC's cereal surpluses and its budget deficits.

LME change has its critics

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange's decision to bow to customer pressure and increase the number of prompt, or delivery, dates for a 6-month trial period was not universally acclaimed by exchange members yesterday.

However, some exchange members suggested yesterday the change could have entirely the opposite effect to that intended and reduce liquidity and increase price volatility.

It was generally agreed that the liquidity problems, particularly of the flagship copper contract, were bound to ease in coming months as more metal became available.

US may have to raise sugar imports

By Deborah Hargreaves in Chicago

SPECULATION surfaced again yesterday that the US Department of Agriculture will be forced to raise next year's sugar import quota because of drought-damaged crops to the US sugar beet crop.

With worldwide sugar export stocks tight, any increase in US imports could push world prices even higher than their current levels. In spite of recent setbacks, domestic sugar futures prices in New

York have soared above the US price support level of 18 cents per lb.

The exchange also insisted there was no chance it would change its mind about the standard-grade aluminium contract which will be phased out by the end of this year.

While we await the millennium of Sir Geoffrey's free market, however, the main planks of official policy remain price restraint, piecemeal proposals to set land aside and diversification. And next week the last of those will be given further encouragement.

According to the Ministry of Agriculture's own figures, released on July 4, since the farm diversification grant scheme was first announced on November 18, 1967, applications from English farmers had totalled 574, of which 182 had been approved. These covered planned investments totalling £3.4m, hardly enough, I suggest, to reverse the falling fortunes of an industry with a total output valued at around £12m per year.

The best diversification of all, of course, is to sell few acres of land for development. Costs are minimal, returns are generous and farm production is hardly affected. The only trouble is that many farmers attempting it come up against the "not in my back yard" attitude - something some members of the Cabinet certainly

countenance no further compromise. One idea for splitting the difference between the Commission's "final" offer and the Greek position attracted some support.

'Green' drachma row still holding up price package

By Tim Dickson in Brussels

THE EUROPEAN COMMISSION was last night showing little sign of conceding Greek demands for a more substantial devaluation of the Green drachma.

price package for the last two and half weeks, again dominated yesterday's meeting of EC farm ministers in Brussels.

Mr Frans Andriessen, the EC's agriculture commissioner, appeared to be standing firm in the face of Greek pressure for a

devaluation which would boost local farm incomes but cost the EC budget an estimated additional Ecu 70m (245m).

LONDON MARKETS

Table with 4 columns: Commodity, Price, Change, and Unit. Includes Copper, Gold, Silver, and various oils.

COCOA D'OMNE

Table with 4 columns: Date, Close, Previous, High/Low. Includes various cocoa grades.

GRAINS D'OMNE

Table with 4 columns: Date, Close, Previous, High/Low. Includes wheat, barley, and other grains.

LONDON METAL EXCHANGE

Table with 4 columns: Commodity, Price, Change, and Unit. Includes Aluminium, Copper, and Tin.

SOYABEAN MEAL D'OMNE

Table with 4 columns: Date, Close, Previous, High/Low. Includes various soyabean meal grades.

WORLD COMMODITIES PRICES

Table with 4 columns: Commodity, Price, Change, and Unit. Includes various international commodities.

New York

Table with 4 columns: Commodity, Price, Change, and Unit. Includes Gold, Silver, and various metals.

COPPER

Table with 4 columns: Date, Close, Previous, High/Low. Includes various copper grades.

WHEAT

Table with 4 columns: Date, Close, Previous, High/Low. Includes various wheat grades.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up despite intervention

CO-ORDINATED INTERVENTION by G7 and EC central banks restricted the dollar's rise yesterday, but the US unit still finished sharply firmer. Traders were anxious to cover short positions after last Friday's letter, but expected US trade figures. Some held back, hoping for intervention by the Bank of Japan...

EMS EUROPEAN CURRENCY UNIT RATES table with columns for Country, Unit, and Rate.

£ IN NEW YORK

STERLING INDEX table with columns for Date, Index, and Change.

CURRENCY RATES

Currency Rates table with columns for Country, Rate, and Change.

CURRENCY MOVEMENTS

Currency Movements table with columns for Country, Movement, and Change.

OTHER CURRENCIES

Other Currencies table with columns for Country, Rate, and Change.

MONEY MARKETS

Rates discount further rise

THE HALF point rise in base rates yesterday was the latest extension of the Bank of England's softly softly approach to the market's clamour for a full point rise. Reaction to a further increase in inflation and evidence of an rise in retail sales, pushed interest rates up sharply in early trading, to discount at least a one point rise in base rates.

UK clearing bank base lending rate

UK clearing bank base lending rate table with columns for Rate and Date.

the rise, three-month interbank money rate was quoted at 11.10%

p.c., slightly down from the day's high, but still up from 10.10% p.c. on Friday. The one year rate finished at 11.14% p.c. against 11.10% p.c. Over-night money traded between a high of 11 p.c. and a low of 8 p.c.

The Bank forecast a shortage of around £100m, with factors affecting the market including, bills maturing in official hands and repayment of late assistance, together with a take up

FINANCIAL FUTURES

Firmer pound restricts losses

SHORT STERLING contracts recovered from the day's lows in yesterday's life market after only a half point rise in UK base rates. Futures prices, and cash rates, had started the day discounting a full one point increase in base rates, and so the half point increase encouraged investors to buy back into sterling futures. Despite this, sentiment remained less than bullish. UK retail sales rose slightly less than expected, while PSBR for June was flat against expectations.

LFPE US TREASURY BOND FUTURES

LFPE US Treasury Bond Futures table with columns for Price, Settlement, and Change.

LFPE US GOVERNMENT BOND FUTURES

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However sentiment is more likely to be influenced by tomorrow's UK money supply figures. Bank lending is expected to rise sharply as mortgages are arranged to beat the tax advantages due to end in August.

Long term gilt prices opened weaker but finished slightly up on the day. Dealers suggested that the authorities decision to push rates firmer helped to allay fears about rising inflation. A firmer pound and a revival of oil prices also helped to underpin sentiment.

The September long gilt opened lower at 88.29, down from 94.01 but recovered to finish at 94.04, up from a low of 88.18.

US Treasury bond prices finished on a weaker note. A firmer Federal funds rate and failure to break through resistance levels tended to take the edge off investor demand. The September price slipped to 85.27 at the close, having opened at 86.10, up from 86.04 on Friday.

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EUROPEAN OPTIONS EXCHANGE

Large table of European Options Exchange data with columns for Series, Date, and Price.

TOTAL VOLUME IN CONTRACTS: 46,963

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Table of Base Lending Rates for various banks and currencies.

Company Notices

Company Notices section containing various financial announcements.

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Handwritten note: July 19 1988

MacGregor's action on...

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trst Mgrs Ltd, Abnath Management Ltd, Aegis Unit Trst Mgrs Ltd, and others, including their names, addresses, and contact information.

Table listing unit trusts such as Anderson Group Unit Trst Mgrs Ltd, Anthony Weller Unit Trst Mgrs Ltd, Arkwright Management Ltd, and others.

Table listing unit trusts such as Bayside Unit Trst Mgrs Ltd, Bayside Management Co Ltd, Bayside Unit Trst Mgrs Ltd, and others.

Table listing unit trusts such as British Life Unit Trst Mgrs Ltd, British Life Unit Trst Mgrs Ltd, British Life Unit Trst Mgrs Ltd, and others.

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I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699 Reuters Code: IGIN, IGI0

FT 30 FTSE 100 WALL STREET Jul. 1474/1483-27 Jul. 1838/1848-29 Jul. 2102/2114-20 Sep. 1476/1485-27 Sep. 1841/1851-28 Sep. 2110/2122-17

CROSSWORD No. 6,685 Set by QUARK. A crossword puzzle grid with numbers 1-37.

- ACROSS 1 Confer distinction on in time (6) 2 Store ice crushed. (That's cryptic) (8) 3 Pipe with cords in we hear (6) 4 How mice could become another dish (4,4) 5 Long journey returning in darker territory (4) 6 Specialised language head dismissed as gas (5) 7 Duck for the lowest reading on scale (4) 8 Medicore corn course? (3,3,4) 9 Random sample of angry group (6,7) 10 Get teacher to come back for a flower (4) 11 Move re TUG passed at the table (5) 12 Fly - an insect, one hears (4) 13 See a part that's mixed yet detached (8) 14 About to get in a twist? Kick back! (6) 15 She gets a reward from the House (6) 16 Flat turner on one side of pitch? (3-3)

1 Left upset in wrongdoing. Break from school needed (4,4) 2 Part of impulse carrier requiring cool courage to complete (6-3) 3 Girl absorbing Latin name for a bone (4)

RESTRAINT PIAED A T E M A U I E BOARD PIKE T A P E R I A T I O N N I M M A T I O N S T O R I E S F R E S I A E R R A T I O N C R I B A B Y A T T R A C T I O N R O C K M A N A G E M E N T E N E R L O D G E J U S T F A N G Y O N E D R E T S W A A B I T T E R D E T A I N A T

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

GUIDE TO UNIT TRUST PRICING

The data included in the Authorised section of the FT Unit Trust Information Service is designed to provide the service to readers and to conform with new legislation. These represent the marketing, administrative and other costs which have to be paid by new unit trusts. These charges are included in the price when the customer buys units. The price at which units may be bought. The price at which units may be sold. The net asset value of the unit trust. The net asset value of the unit trust. The net asset value of the unit trust.

Main table of unit trusts with columns for Name, Address, and other details. Includes entries like Guinness Makers Unit Trst Mgrs Ltd, London & Manchester (Vt) Mgmt Ltd, and many others.

July 1988

FT UNIT TRUST INFORMATION SERVICE

Table listing insurance and unit trusts under 'INSURANCES' and 'OTHER UK UNIT TRUSTS' sections, including company names, share prices, and other financial data.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'MANAGEMENT SERVICES', 'OFFSHORE AND OVERSEAS', and 'UK LISTED'.

Handwritten note: 10/11/88

July 19 1988

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts, their performance metrics, and details.

LONDON SHARE SERVICE

Table of London Share Service listing British Funds, Foreign Bonds & Rails, and American stocks.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds listing various international investment vehicles.

Table of Money Market Trust Funds listing various short-term investment options.

Table of Money Market Bank Accounts listing various banking and financial services.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for Stock, Price, and % Change. Includes companies like American Express, American International Group, and American Overseas.

CANADIANS

Table listing Canadian stocks with columns for Stock, Price, and % Change. Includes companies like Canadian National, Canadian Pacific, and Canadian Tire.

BUILDING, TIMBER, ROADS - Contd

Table listing Building, Timber, and Roads stocks with columns for Stock, Price, and % Change. Includes companies like Bovis Lend Lease, Bovis Lend Lease Group, and Bovis Lend Lease International.

ELECTRICALS

Table listing Electrical stocks with columns for Stock, Price, and % Change. Includes companies like British Electric, British Electric International, and British Electric Services.

ENGINEERING - Contd

Table listing Engineering stocks with columns for Stock, Price, and % Change. Includes companies like Balfour Beatty, Balfour Beatty International, and Balfour Beatty Services.

INDUSTRIALS (Miscel.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change. Includes companies like British Airways, British Airways International, and British Airways Services.

INDUSTRIALS (Miscel.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change. Includes companies like British Airways, British Airways International, and British Airways Services.

BANKS, HP & LEASING

Table listing Banks, HP & Leasing stocks with columns for Stock, Price, and % Change. Includes companies like Bank of America, Bank of America International, and Bank of America Services.

CHEMICALS, PLASTICS

Table listing Chemicals and Plastics stocks with columns for Stock, Price, and % Change. Includes companies like British Chemicals, British Chemicals International, and British Chemicals Services.

ELECTRICALS

Table listing Electrical stocks with columns for Stock, Price, and % Change. Includes companies like British Electric, British Electric International, and British Electric Services.

ENGINEERING - Contd

Table listing Engineering stocks with columns for Stock, Price, and % Change. Includes companies like Balfour Beatty, Balfour Beatty International, and Balfour Beatty Services.

INDUSTRIALS (Miscel.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change. Includes companies like British Airways, British Airways International, and British Airways Services.

INDUSTRIALS (Miscel.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change. Includes companies like British Airways, British Airways International, and British Airways Services.

HIRE PURCHASE, LEASING, ETC.

Table listing Hire Purchase, Leasing, etc. stocks with columns for Stock, Price, and % Change. Includes companies like British Hire Purchase, British Hire Purchase International, and British Hire Purchase Services.

DRAPERY AND STORES

Table listing Drapery and Stores stocks with columns for Stock, Price, and % Change. Includes companies like British Drapery, British Drapery International, and British Drapery Services.

ELECTRICALS

Table listing Electrical stocks with columns for Stock, Price, and % Change. Includes companies like British Electric, British Electric International, and British Electric Services.

ENGINEERING - Contd

Table listing Engineering stocks with columns for Stock, Price, and % Change. Includes companies like Balfour Beatty, Balfour Beatty International, and Balfour Beatty Services.

INDUSTRIALS (Miscel.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change. Includes companies like British Airways, British Airways International, and British Airways Services.

INDUSTRIALS (Miscel.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change. Includes companies like British Airways, British Airways International, and British Airways Services.

BEERS, WINES & SPIRITS

Table listing Beers, Wines & Spirits stocks with columns for Stock, Price, and % Change. Includes companies like British Beers, British Beers International, and British Beers Services.

BUILDING, TIMBER, ROADS

Table listing Building, Timber, and Roads stocks with columns for Stock, Price, and % Change. Includes companies like Bovis Lend Lease, Bovis Lend Lease Group, and Bovis Lend Lease International.

ELECTRICALS

Table listing Electrical stocks with columns for Stock, Price, and % Change. Includes companies like British Electric, British Electric International, and British Electric Services.

ENGINEERING - Contd

Table listing Engineering stocks with columns for Stock, Price, and % Change. Includes companies like Balfour Beatty, Balfour Beatty International, and Balfour Beatty Services.

INDUSTRIALS (Miscel.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change. Includes companies like British Airways, British Airways International, and British Airways Services.

INSURANCES

Table listing Insurance stocks with columns for Stock, Price, and % Change. Includes companies like British Insurance, British Insurance International, and British Insurance Services.

BUILDING, TIMBER, ROADS

Table listing Building, Timber, and Roads stocks with columns for Stock, Price, and % Change. Includes companies like Bovis Lend Lease, Bovis Lend Lease Group, and Bovis Lend Lease International.

ENGINEERING

Table listing Engineering stocks with columns for Stock, Price, and % Change. Includes companies like Balfour Beatty, Balfour Beatty International, and Balfour Beatty Services.

INDUSTRIALS (Miscel.)

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, and % Change. Includes companies like British Airways, British Airways International, and British Airways Services.

LEISURE

Table listing Leisure stocks with columns for Stock, Price, and % Change. Includes companies like British Leisure, British Leisure International, and British Leisure Services.

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LONDON SHARE SERVICE

LEISURE - Contd

Table listing leisure companies such as British Skyways, British Airways, and others with their share prices and movements.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies like Newsprint, Newsprint, and others.

TEXTILES - Contd

Table listing textile companies such as British Textiles, British Textiles, and others.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies like British Trustee, British Trustee, and others.

OIL AND GAS - Contd

Table listing oil and gas companies such as British Petroleum, British Petroleum, and others.

MINES - Contd

Table listing mining companies like British Mining, British Mining, and others.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies such as British Motors, British Motors, and others.

PROPERTY

Table listing property companies like British Property, British Property, and others.

TOBACCO

Table listing tobacco companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

OVERSEAS TRADERS

Table listing overseas trading companies.

PLANTATIONS

Table listing plantation companies.

THIRD MARKET

Table listing third market trading data.

COMMERCIAL VEHICLES

Table listing commercial vehicle companies.

COMPONENTS

Table listing component companies.

FINANCE, LAND, ETC

Table listing finance, land, and other companies.

MINES

Table listing mining companies.

DIAMOND AND PLATINUM

Table listing diamond and platinum companies.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies.

SHIPPING

Table listing shipping companies.

OIL AND GAS

Table listing oil and gas companies.

FINANCE

Table listing finance companies.

AUSTRALIANS

Table listing Australian companies.

INDUSTRIALS

Table listing industrial companies.

SHOES AND LEATHER

Table listing shoes and leather companies.

SOUTH AFRICANS

Table listing South African companies.

TEXTILES

Table listing textile companies.

PROPERTY

Table listing property companies.

TRADITIONAL OPTIONS

Table listing traditional options data.

INDUSTRIALS

Table listing industrial companies.

PROPERTY

Table listing property companies.

INDUSTRIALS

Table listing industrial companies.

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LONDON STOCK EXCHANGE

Markets remain prey to interest rate worry as half point base rise brings losses in Gilts

Accounting Dates table with columns for Fiscal Year, Reporting Date, and Accounting Date.

ANOTHER HALF POINT RISE IN UK BASE RATES

recovered last ground in 1988 with sterling back to \$1.70 by the middle of the year, and in prospect of moving lower. Home Govt told clients that sentiment towards the dollar turned even more bullish last week following the Senate testimony of Dr Alan Greenspan, chief of the Federal Reserve Board. Home emits its latest account of a 'one-way' ticket on the dollar.

However, James Capel in his latest review of the equity market says that over the past two months, we have had more bad news than the market has had to cope with any similar period since the October Crash, and yet equities are sitting comfortably at a level well above where they were in mid-May.

The significant feature, yet again, was the lack of business in equities. With the exception of oil shares, which sprang to life on the news that Iran had signed a deal for a one-way ticket on the dollar, the market was dead. The significant feature, yet again, was the lack of business in equities. With the exception of oil shares, which sprang to life on the news that Iran had signed a deal for a one-way ticket on the dollar, the market was dead.

FINANCIAL TIMES STOCK INDICES

Table of stock indices including Government Sec., Fixed Interest, Ordinary, and Dividend Yield, with columns for July 18, 15, 14, 13, 12, and Year Ago.

Day's High 1490.2, Day's Low 1479.2, 10 a.m. 1488.3, 11 a.m. 1480.7, 12 p.m. 1482.8, 1 p.m. 1480.1, 2 p.m. 1480.0, 3 p.m. 1479.5, 4 p.m. 1483.6

Base 100 Govt. Sec. 15/10/26, Fixed Int. 19/28, Gold Mines 12/9/55, S.E. Activity 1974, NI=10.58

LONDON REPORT AND LATEST SHARE INDEX: TEL 0898 123001

predict an immediate counter-bid at the 475p level. AB Foods was mentioned as a possible bidder and this was given considerable more credence than the other names of possible white knights which included Cadbury and Grand Metropolitan. AB Foods shares were unchanged at 252p.

SE ACTIVITY

Table of SE Activity with columns for High, Low, and Stock Completion, listing various companies like Gilt Edged Securities, Equity Value, etc.

Day's High 1490.2, Day's Low 1479.2, 10 a.m. 1488.3, 11 a.m. 1480.7, 12 p.m. 1482.8, 1 p.m. 1480.1, 2 p.m. 1480.0, 3 p.m. 1479.5, 4 p.m. 1483.6

TRADING VOLUME IN MAJOR STOCKS

Table of trading volume in major stocks, listing various companies and their trading volumes.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of FT-Actuaries Share Indices, listing various equity groups and sub-sections with their respective values and changes.

FIXED INTEREST

Table of Fixed Interest, showing average gross redemption yields for various terms and rates.

LONDON TRADED OPTIONS

Table of London Traded Options, listing various call and put options for different stocks.

RISES AND FALLS YESTERDAY

Table of Rises and Falls Yesterday, showing price changes for various equities and fixed interest stocks.

LONDON RECENT ISSUES

Table of London Recent Issues, listing newly issued stocks and their details.

FIXED INTEREST STOCKS

Table of Fixed Interest Stocks, listing various fixed interest securities and their prices.

Financial Times and other publication information at the bottom of the page.

July 19 1988

WORLD STOCK MARKETS

Table of world stock markets including sections for Austria, France, Germany, Netherlands, Sweden, and Canada. Each section lists various stock indices and their values.

Table of Canadian stock markets, including Toronto and Montreal closing prices for various stocks and indices.

Table of Japanese stock markets, including the Nikkei and other indices, and a section for Australia with various stock prices.

Table of over-the-counter market prices, including Nasdaq national market and various stock prices.

Table of stock indices, including New York Dow Jones, Standard and Poors, and various international indices.

Advertisement for F.T. hand delivered in Norway, featuring text about international finance and contact information for Oslo and Lisbon.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3pm prices July 18

Main table containing stock prices for various companies, organized into columns with headers like 'High', 'Low', 'Stock', 'Vol.', 'Bid', 'Ask', 'Last', 'Change', 'Open', 'Close', 'Settle', 'High', 'Low', 'Stock', 'Vol.', 'Bid', 'Ask', 'Last', 'Change', 'Open', 'Close', 'Settle'.



Volvo

July 19 1988

FINANCIAL TIMES TUESDAY JULY 19 1988 NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for High, Low, Stock, Div. Yld., 100 High, Low, and Class. Includes a 'Continued from previous Page' note.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for High, Low, Stock, Div. Yld., 100 High, Low, and Class. Includes a '3pm prices July 18' note.

OVER-THE-COUNTER

Table of Over-the-Counter prices listing various stocks with columns for High, Low, Stock, Div. Yld., 100 High, Low, and Class. Includes a 'Nasdaq market, 3pm prices July 18' note.

Below figures are official Yearly Highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend assuming a 20 percent or more has been paid, the year's high-only range is indicated as shown for the new stock only. Data otherwise correct. Rates of dividend are annual declarations based on the latest declaration.

Advertisement for Financial Times: 'Have your F.T. hand delivered in Germany'. Includes text about business centers and subscription information.

Advertisement for Financial Times: 'Have your F.T. hand delivered... every working day, if you work in the business centre of ATHENS'. Includes contact information for Athens.

WORLD STOCK MARKETS

AMERICA

Increase in oil price fuels persistent inflation fears

Wall Street

THE PROSPECT of rising prices and interest rates continued to unsettle US financial markets yesterday with the chance of a settlement of the Iran-Iraq war adding to inflationary fears...

capacity in US industry. The federal government reported that US factories, utilities and mines operated at 83.1 per cent of capacity in June as against 82.9 per cent in May...

are not meaningful because of special provisions. Among the banks reporting yesterday, J.P. Morgan fell 3/4 to 37 3/4, Chase Manhattan dropped 3/4 to 32 3/4, and Manufacturers Hanover fell 3/4 to 32 3/4.

Deep leather sofas lend an appropriately easy-going air to the floor of the Brussels Stock Exchange - but the atmosphere was anything but relaxed earlier this year when Mr Carlo De Benedetti launched his bold if ultimately unsuccessful takeover bid for Societe Generale de Belgique.

MARKET PROFILE

Table with columns for Market, Change, and Volume. Includes entries for London, New York, Tokyo, and Brussels.

year was BFr2bn. Over-the-counter, or "off board", trading volume is estimated at four to five times that on the exchange.

(Antwerp, Ghent and Liège) only Antwerp can boast any significant activity. The Brussels bourse is capitalised at about BFr1,900bn (348.7bn). But of the 437 shares listed (more than a third of them foreign) only about 50 are actively traded...

STOCK MARKET FACT CHART BRUSSELS

Market capitalisation: BFr1,900bn (31 = BFr, 1 = BFr0.23) Number of shares listed: 437 Belgium, 147 foreign Top 10 stocks, percentage of market: over 50%

EUROPE

Milan rally gathers pace with 2 per cent advance

GROWING concern over interest rates unsettled some European bourses yesterday, while others were lifted by the positive US response to the trade figures. A surge of demand sent Italy sharply higher, writes Our Markets Staff.

London

NEWS of a half point increase in base rates led to small rally, but concern that the rate rise was not large enough left prices lower in this trading. The FT-SE 100 index lost 12.2 to 1,849.3 despite some strength in oil shares on ceasefire proposals in the Gulf war.

index closed 5.19 lower at 348.39. Volumes were estimated to be around or lower than FF700m - just two weeks ago, turnover was three times that level.

ASIA

Falling yen sparks slide across the board

Tokyo

THE yen's slide against the dollar to a low for this year pushed down almost all shares across the board in Tokyo yesterday, writes Shigen Nishizaki of Jiji Press.

busiest with 62.8m shares, firming Y30 to Y1,080. Hitachi Y60 to Y1,760 and Mitsubishi Electric Y12 to Y976. Demand was fuelled by tight supply in computer microchips.

Roundup

AUSTRALIA reached a post-crash high in improved turnover as economic news, a stronger gold price and Wall Street's gains on Friday combined to draw foreign and domestic buyers.

the 7 cents to A\$2.63. The buyer was reported to be Bond Corporation, which was actively purchasing on Friday after winning the go-ahead to raise its then 19.9 per cent stake.

HONG KONG was hit by the absence of fresh news and shares closed lower, with the Hang Seng index falling 39.35 to 2,711.37.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for National and Regional Markets, Monday July 18 1988, Friday July 15 1988, and Dollar Index. Lists various countries and their stock indices.

Girobank advertisement. Girobank announces that with effect from close of business on 18 July 1988 its Base Rate was increased from 10% to 10.5% per annum.

Coutts & Co. advertisement. Coutts & Co. announce that their Base Rate is increased from 10.00% to 10.50% per annum with effect from the 18th July 1988 until further notice.

TSB BANK advertisement. With effect from the close of business on Monday 18th July 1988 and until further notice, TSB Base rate is increased from 10.00% p.a. to 10.50% p.a.

National Westminster Bank PLC advertisement. NatWest announces that with effect from and including Monday 18th July 1988 its Base Rate is increased from 10.00% to 10.50% per annum.